

# **The influence of firm diversity management competency on diversity-related outcomes and firm performance**

by

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## **DECLARATION**

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## ABSTRACT

An emerging perspective of workplace diversity proposes that a well-managed diverse workforce holds inherent advantages for organisational performance. Little empirical evidence exists to support this view, which may partly be due to a lack of operational frameworks for diversity management at the firm level. This study aims to address two research gaps through (1) the development of a diversity management competency (DMC) framework which can guide diversity management efforts, and (2) the evaluation of the relationship between DMC, different diversity management outcomes (DMO), and firm performance.

A mixed method approach was followed, which entailed an initial qualitative phase to explore the DMC construct and to develop a DMC measure. Next, a quantitative phase followed that tested (a) the reliability and validity of the instrument, as well as (b) the hypothesised relationships between DMC and important firm outcomes. Data were generated in the qualitative phase through interviewing managers ( $N = 12$ ), using the Critical Incident Technique (CIT). Content analysis of the transcribed interviews culminated in distinctive diversity management competencies (DMCs), which represent clusters of diversity management practices, and a DMC measure which was subsequently content validated through both the Content Validity Ratio (Lawshe, 1975) and Cohen's (1960)  $\kappa$  approaches. The DMC questionnaire was then pilot tested on managers ( $N = 25$ ) from three large companies to make final modifications. The final questionnaire consisted of eleven subscales (DMCs) and 98 items. The data for the quantitative phase were collected by administering on-line questionnaires measuring the study variables (DMC, DMO and firm performance) to managers ( $N = 77$ ) from different medium to large companies ( $k = 33$ ). The measures were item analysed and the hypotheses tested through correlation analysis, using SPSS. The measures indicated high internal consistency. A firm-level analysis of the research data showed that DMC, DMO and firm performance were strongly and significantly correlated, as hypothesised.

This study makes three major contributions. First, it develops a firm-level DMC framework that outlines specific clusters of diversity management practices expected to contribute to firm performance by means of enhancing key DMOs. Second, it develops and validates a DMC measure which, along with the DMC framework, has

practical utility for diagnostic and developmental purposes. Last, the analyses revealed that DMC, DMO and firm performance are significantly and strongly correlated, which may indicate that diversity management has a significant influence on firm performance. Because of the limited sample size, the results of this study should be cross-validated in larger samples. However, the present research creates an agenda for further confirmatory and exploratory studies on the relationship between diversity management and important firm outcomes.

## OPSOMMING

'n Ontluikende perspektief van werkplekdiversiteit stel voor dat 'n goed bestuurde werksmag inherente voordele vir organisasieprestasie inhou. Daar is egter weinig empiriese bewyse om hierdie siening te staaf, wat gedeeltelik ontstaan as gevolg van 'n tekort aan operasionele raamwerke vir diversiteitbestuur op die firma-vlak. Hierdie studie beoog om hierdie navorsingsgaping aan te spreek deur (1) die ontwikkeling van 'n raamwerk vir diversiteitbestuursbevoegdheid (DBB) wat pogings tot diversiteitbestuur kan lei, en (2) die evaluering van die verwantskaptussen DBB, verskillende diversiteitbestuursuitkomst (DBU), en firmaprestasie.

'n Gemengde-metode benadering is gevolg bestaande uit 'n aanvanklike kwalitatiewe fase om die DBB konstrue te verken en om 'n DBB metingsinstrument vir DBB te ontwikkel. Vervolgens het 'n kwantitatiewe fase (a) die betroubaarheid en geldigheid van die meetinstrument bepaal (b) die hipotetiese verwantskap tussen DBB en belangrike firma-uitkomst getoets. Data is in die kwalitatiewe fase gegenereer deur onderhoudvoering met bestuurders ( $N = 12$ ) met gebruik van die Kritieke Insident Tegniek (KIT). Inhoudsanalise van die getranskriebeerde onderhoude het in onderskeibare diversiteitbestuursbevoegdhede (DBB'e) gekulmineer wat groeperings van diversiteitbestuurspraktyke verteenwoordig. 'n DBB metingsinstrument is gevolglik vir inhoudsgeldigheid getoets deur beide die Inhoudsgeldigheidsverhouding (Lawshe, 1975) en Cohen (1960) se  $\kappa$ -benaderings te gebruik. Die vraelys het vervolgens 'n toetsloop by bestuurders ( $N = 25$ ) van drie groot maatskappye ondergaan om finale aanpassings aan te bring. Die finale vraelys bevat elf subskale (DBB'e) en 98 items. Die data vir die kwantitatiewe fase is met behulp van aanlyn-vraelyste wat die konstrue van DBB, DBU, en firmaprestasie meet, verkry, wat deur bestuurders ( $N = 77$ ) van verskillende middelslag tot groot maatskappye ( $k = 33$ ) ingevul is. Die metingsinstrumente het item-ontleding ondergaan en korrelasie-analise deur middel van SPSS is gebruik om die hipoteses te toets. Die metingsinstrumente het hoë interne bestendigheid getoon. 'n Firmavlak analise van die navorsingsdata het getoon dat DBB, DBU, en firmaprestasie sterk en beduidend met mekaar gekorreleer, ter ondersteuning van die navorsingshipoteses.

Die studie lewer drie hoofbydraes: eerstens, 'n firmavlak DBB-raamwerk is ontwikkel wat spesifieke groeperings van diversiteitbestuurspraktyke omlyn wat na verwagting

tot die verhoging van belangrike DBU'e en uiteindelik ook firmaprestasie behoort by te dra; tweedens, 'n DBB metingsinstrument is ontwikkel en gevalideer wat, tesame met die DBB-raamwerk, praktiese gebruikswaarde vir diagnostiese en ontwikkelingsdoeleindes het; en, laastens, het die analyses getoon dat DBB, DBU en firmaprestasie beduidend en sterk met mekaar korreleer, wat moontlik aandui dat diversiteitbestuur 'n beduidende invloed op firmaprestasie het. As gevolg van die beperkte steekproefgrootte, behoort die resultate van hierdie studie gekruisvalideer te word in groter steekproewe. Die belowende resultate van hierdie studie skep egter 'n agenda vir toekomstige bevestigende en verkennende studies oor die verband tussen diversiteitsbestuurspraktyke en firmaprestasie.

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## **CHAPTER 1: RESEARCH PROBLEM AND RESEARCH OBJECTIVES**

### **1.1 INTRODUCTION**

The increasing diversity within the global workforce is one of the fundamental concerns of strategic human resource management (SHRM) (Schuler & Walker, 1990). Globalisation has led to increases in immigration and worker migration, resulting in diverse individuals increasingly encountering each other in the world of work (Mor Barak, 2005). This workforce evolution has caused diversity to become a ‘hot topic’ in the political, legal, educational and corporate fields (Chanda, D’Netto, Monga, & Shen, 2009). Diversity in this study refers to any difference by which people categorise themselves or others and which has a significant effect on group interaction and outcomes (DiTomaso, Parks-Yancy, & Post, 2007).

The global workforce diversification has had a huge impact on many countries. Even without considering the effects of globalisation, South Africa’s population is characterised by a high degree of demographic and cultural diversity — the population break-down is 79,5% African, 9% Coloured, 9% White, and 2,5% Indian/Asian (Statistics South Africa, 2011). Despite South Africa’s rich cultural and ethnic variety, this diversity has only been constructively acknowledged since the abolishment in 1994 of the apartheid doctrine which was based on the premise of segregation of racial groups. The Apartheid doctrine resulted in unfair discrimination against non-white racial groups in society in general, but also specifically in the workplace (Bowmaker-Falconer, Horwitz, & Searll, 1996).

To rectify the imbalances within society, the South African government initiated legislative pressures on businesses. In 1998, the Employment Equity Act (EEA) (Republic of South Africa, 1998) was legislated to prohibit unfair discrimination. In Chapter 2 of the EEA, it states that no unfair discrimination on the grounds of race, gender, sex, etc. may be practiced in employment policies and practices. The purpose of the EEA (Republic of South Africa, 1998, p. 5) is to implement in the workplace

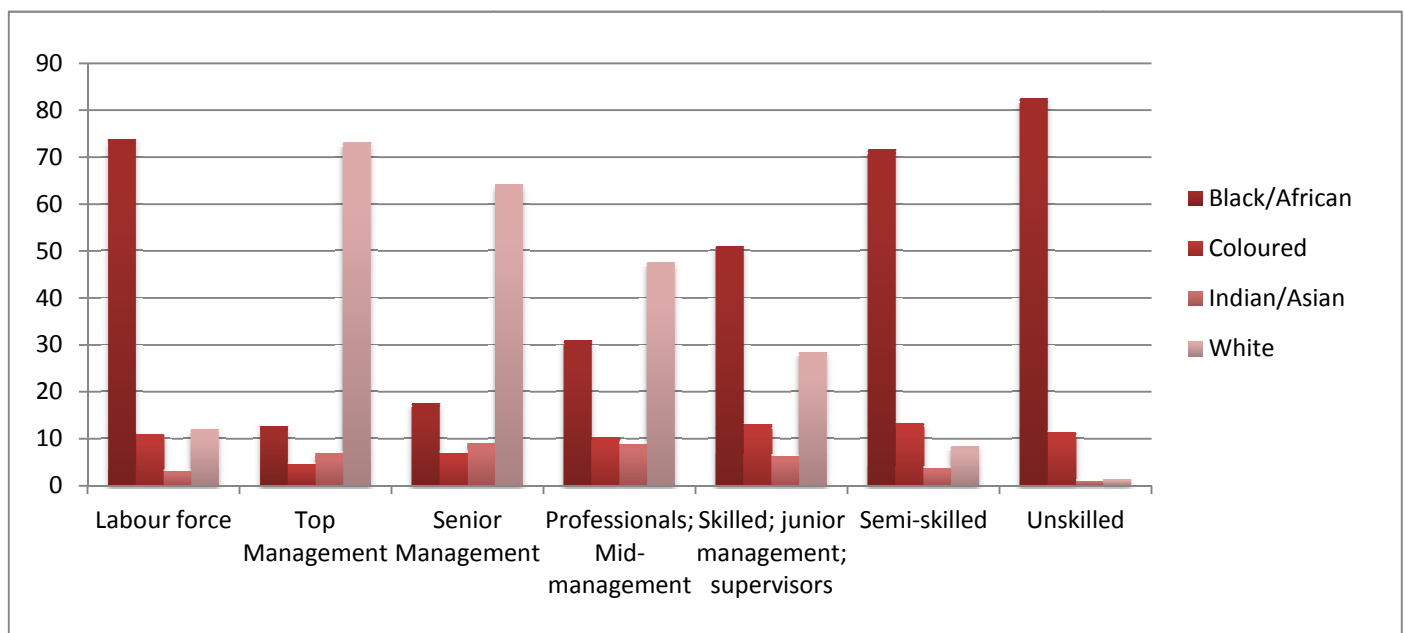
“affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their representation in all occupational categories and levels in the workplace”. In its intent, the EEA therefore attempts to promote sensible and fair transformation in the South African workplace. Although the EEA prohibits unfair discrimination, middle and top management positions in the private sector were still dominated by Whites a few years after the introduction of the EEA (Mellahi & Wood, 2001). The Broad-Based Black Economic Empowerment (BBBEE) Act (Republic of South Africa, 2003) was then established in 2003 to increase the participation of non-whites in all levels of the economy.

The Commission for Employment Equity (CEE) was established with the main purpose of monitoring employment equity implementation and to report annually to the Minister of Labour on the progress of South African companies in furthering EE objectives. One mechanism, by which the EEA attempts to monitor compliance with its imperatives, is by requiring that designated employers submit annual Employment Equity (EE) reports to demonstrate progress toward employment equity. Employers who employ fewer than 150 employees should report every second year, and employers who employ 150 or more employees should report every year. The CEE evaluates the EE reports and summarises the results in an annual report.

The CEE Annual Report 2010-2011 indicated that 16 698 accurately completed EE reports were received in 2010 (Commission for Employment Equity (CEE), 2011). The number of reports received has increased three-fold since the reports received in 2006, which indicates a significant increase in the submission of EE reports (CEE, 2011). In spite of the substantial increase in reporting, the reports still do not represent the majority of the South African workforce. The 2010-2011 reports covered 5,280,037 employees (CEE, 2011) which made up about 40% of a total of 13,132,000 employees in South Africa in the year 2010 (Stats SA, 2011). Transformation was therefore only monitored for less than half of the workforce.

Figure 1.1 illustrates the racial/ethnic distribution of the labour force, as well as the racial/ethnic distribution of the occupational levels as provided in the CEE report. The

distributions are indicated as the percentage of the total South African labour force. The report indicates that progress in transformation has been made at the Professionally Qualified and Skilled occupational levels, since there has been a gradual increase from 2006 to 2010 for these two occupational levels (CEE, 2011). However, when considering the labour force distribution, it is seen that all occupational levels, except the unskilled level, is not yet representative of the demographical distribution of the labour force. Except for the unskilled occupational level, Blacks/Africans are represented lower than their 74% representation in the total labour force. Progress toward employment equity targets has been slow, considering that fourteen years have passed since the establishment of the EEA. This leads to the question whether South African firms are sufficiently motivated to pursue employment equity in the narrowest sense — equity in demographic



diversity.

*Figure 1.1.* Racial/ethnic distribution in occupational levels. Y-axis represents percentages. Adapted from “11th Annual CEE Report: 2010-2011” by Commission for Employment Equity (CEE), 2011, p. 24. Department of Labour: RSA.

Based on the pace of demographic transformation, it can be argued that the legislative pressures of government seem insufficient to transform businesses in South Africa. In the

competitive market environment, organisations allocate their resources according to what makes business sense. Organisations will pursue workforce transformation if it contributes to positive business outcomes. Organisations are thus concerned about the ‘business case’ for diversity. The business case for diversity has been debated rigorously in the literature since the 1990s (Barnett, Chadwick, Dwyer & Richard, 2004; Bezrukova et al., 2003; Blake & Cox, 1991; Ford, Ismail & Richard, 2006; Martins & Milliken, 1996). Yet it is questionable whether organisations in South Africa translate diversity to these organisational benefits.

In the pursuit of a business case within literature, both negative and positive views on workforce diversity emerged (Chung-Herrera et al., 2009). A review of literature on workforce diversity revealed that diversity is typically viewed in a negative light (Chung-Herrera et al., 2009). This is evident through the focus on discrimination and victimization (Chung-Herrera et al., 2009). The pessimistic view is based on the assumption that diversity has a negative effect on social integration and communication, and increased conflict (Chung-Herrera et al., 2009). Jackson and Joshi’s (2004) study, for example, indicated that teams were less effective when the teams consisted of multiple categories of diversity. From this view, the focus is on the negative influences that diversity may have, such as conflict, job dissatisfaction, absenteeism, turnover, and training costs (Blake & Cox, 1991). This view therefore holds that diversity would have a negative influence on the organisation’s performance. From the pessimistic perspective, transformation is only applied to comply with labour legislation, evoking a compliance mind-set — no link between diversity and potential benefits like increased competitive advantage is seen.

Other scholars do, however, believe that diversity may have positive results. The value-in-diversity (Cox, Lobel, & McLeod, 1996) school of thought emphasises that ethnic diversity, when it is well managed, produces positive organisational outcomes. These positive organisational outcomes are the result of diversity outcomes such as better problem solving, efficient information processing, creativity and learning (Blake & Cox, 1991). When used in this line of reasoning, diversity refers to more than mere racio-ethnic diversity – it rather also encompasses attributes such as values, ideals and

assumptions. Some studies empirically support the value-in-diversity paradigm. Catalyst (as cited in Litvin, 2006), for example, evaluated the linkages between the gender diversity of top management and organisational performance in Fortune 500 companies. The study revealed that, after controlling for size and industry, those companies with higher top management gender diversity had 35% higher return on equity and 34% higher total return to shareholders than other companies.

Studies that empirically evaluate the outcomes of workforce diversity, such as the above-mentioned studies, have predominantly been on the individual and team level (Joshi, Liao, & Roh, 2011). Organisational-level studies on the diversity-outcome relationship have been scarce. Joshi et al. (2011) conducted a literature search on studies that examined the effect of firm diversity on firm-level consequences such as firm performance and firm effectiveness. They could only find a dozen empirical studies and a few dissertations and working papers (Joshi et al., 2011). Additionally, the results of these few studies have been inconclusive. The studies revealed positive, negative, curvilinear and non-significant relationships between diversity and firm performance or effectiveness (Joshi et al., 2011). Richard (2000), for example, found a positive linear relationship between racial diversity and financial performance when firms followed a growth-oriented business strategy. Sacco and Schmitt (2005), however, found that racial diversity was negatively related to firm profitability. Even more contradictory results were found, as in Barnett, Chadwick, Dwyer, and Barnett's (2004) study, which found a U-shaped relationship between race diversity and financial performance under certain circumstances. However, Ammeter et al. (2003) found an inverted U-shaped association between gender composition and firm performance, where highest firm performance is expected when the gender groups are equally represented. The terms 'firm' and 'organisation' are used interchangeably in this study.

The contradictory evidence found on the effect of diversity on organisations led to the assumption that the effect does not depend on the amount of diversity in an organisation only, but rather on how the different factors of diversity are constituted in a company and how diversity is approached. Diversity in itself therefore does not directly influence an organisation's outcomes (Ford, Ismail, & Richard, 2006), but rather how diversity is



managed. The focus should not be on whether companies should diversify, but rather on how they should approach diversity to optimise their business performance. Evolutionary economics supports this reasoning. According to evolutionary economics, firms differ with regard to the routines they have developed to conduct their business (Barney, 2001). Within a competitive environment, some routines prove to be more efficient and effective than others (Barney, 2001). Ineffective routines will be detrimental to a company's survival in the long run, but effective routines create competitive advantages for a company (Barney, 2001). "Competitiveness refers to a company's ability to maintain and gain market share in its industry" (Gerhart, Hollenbeck, Noe, & Wright, 2008, p. 4). Pfeffer (1998) postulated that the real sources of competitive advantage are the culture and capabilities of an organisation, which are derived from how employees are managed. A critical question to ask is which behaviours of employees allow organisations to gain market share, which conditions are prerequisites to elicit these behaviours, and what needs to be done, in terms of practices, routines or management competences, to create these conditions. The way a diverse workforce is managed may therefore create competitive advantage. Diversity management is a planned and systematic managerial process which has the aim of creating an organisational environment where all diverse employees contribute to organisational effectiveness (Thomas, 1996).

The causal relationship between firm routines and competitive advantage can be explained by the resource-based view (RBV). The RBV proposes that the resources and capabilities of a firm which are valuable, difficult to imitate, rare and not substitutable, create sustained competitive advantage (SCA) for a firm (Barney, Ketchen, & Wright, 2001). These resources and capabilities are collections of tangible and intangible assets which include management skills, organisational processes and information and knowledge that an organisation controls (Barney et al., 2001). There has been extensive debate over whether human resource management (HRM) practices can grant SCA (Barney et al., 2001). It has been argued that, although individual HRM practices may be imitable, HRM systems and routines, which are shaped over time, may be unique to a particular organisation and contribute to creating certain human capital skills (Barney et

al., 2001). Following the same argument, a certain combination of diversity management practices and processes may also provide a firm with SCA.

Although the RBV may seem a plausible explanation of how HRM, or diversity management, can contribute to SCA, the relationship has not been proven empirically (Barney et al., 2001). There is no evidence to convince organisations that diversity management can truly contribute to a competitive advantage. The Forbes Insights (2011) study revealed that a failure to perceive the connection between diversity and business drivers is a major barrier to developing or implementing a strategy for workplace diversity and inclusion. Diversity management is one field of research and practice that could greatly benefit from an evidence-based approach — one in which data and facts are used to inform decision making about appropriate diversity management practices. According to the fundamental economic principle, companies will use the management strategies that will achieve the highest possible satisfaction with the lowest possible cost (Brevis, Cronje, Smit, & Vrba, 2011). Following Barney's (2001) analogy, firms should base their diversity management 'routines' on empirical findings about the degree to which approaches to human resource diversity relate to important organisational outcomes.

Taken together, the body of literature on diversity management has four major gaps. First, the current status of diversity management within the South African context has not been examined. More than a decade ago, Human (1996) stated that very few South African companies reveal commitment to managing diversity through their actions. The current state of diversity management within South African companies has not, however, been researched. Some large-scale diversity management projects have been documented, however, such as the initiatives of South African Breweries Limited and Caltex South Africa (Human, 2005), but they are too few in number to be representative of all South African companies. That progress has been made with regard to Black advancement and integration can be identified through the EE reports, but this is only one element within diversity management. While a study to identify the best practices within diversity management (Reichenberg, 2001) was done in the United States of America (USA) and valuable information on best practices can be gained from other countries, "it is

questionable whether the discourse of ‘managing diversity’ emerging from the US can be simply mapped on to organizations in local contexts of sub-Saharan Africa” (Nyambegera, 2002, p. 1084). It is crucial that best practices for diversity management within the South African context are identified to guide other companies with regard to effective management. Chanda et al. (2009) emphasised the need for research on HRM diversity management in developing and transitional economies.

The second gap in diversity management literature is that the models for diversity management are only conceptual. Numerous models and frameworks have been formalised to indicate how workforce diversity may influence organisations and how this diversity could be managed (e.g., Chanda et al., 2009; Cox, 1994; Gilbert, Ivancevich, & Stead, 1999; Kochan, McMillan-Capehart, & Richard, 2002; Maak & Pless, 2004; Martins & Milliken, 1996). These models are only conceptual in nature, however, and have not been tested empirically.

The third gap in the diversity management literature is that there is no single coherent model that scholars have agreed upon. The reason why the models of diversity management are conceptual may therefore be that they have not been synthesised into a coherent model. This absence of a coherent model has led to uncertainty, firstly, with regard to *what* is entailed in effective diversity management and, secondly, about *how* diversity management influences firm performance.

There is no agreement on *what* practices are essential for effective diversity management. Views on how to effectively manage diversity are scattered and it is difficult to find unanimity about specific approaches (Seymen, 2006). The fractured approaches found in the literature are also echoed within practice. For the Forbes Insight (2011) study on the role of diversity, data were collected from more than 300 executives, diversity officers and board members. Almost all of the respondents stated that their companies had diversity and inclusion strategies in place, but not all of the plans are identical.

Scholars have not yet agreed upon a single model as a plausible representation of *how* diversity affects organisational outcomes and how diversity can therefore be managed.

The intermediate processes that occur in the diversity management and firm performance relationships have been speculated, but there is no unanimity about the specific processes. These intermediate processes are referred to as the ‘black box’ (Lawrence, 1997) of diversity because of the uncertainty around the processes. Intermediate processes are often just vaguely mentioned in explanations of how diversity management influences performance (Lawrence, 1997). The workforce diversity literature therefore reveals a need for scholars to develop integrative and practical theories of diversity management that will assist companies to thrive (Chung-Herrera et al., 2009).

The fourth gap in the literature on diversity management relates to measurement. Although diversity management has become a major focus within SHRM (Schuler & Walker, 1990), no acknowledged metrics of diversity management are identified within the scope of acknowledged HR metrics (see Boudreau & Cascio, 2011). The concern about increasing diversity in the workforce has not translated into wide-spread actions amongst organisations (Jackson, 1992) or into rigor in research. A popular saying in modern management is that “you cannot manage what you cannot measure” (Deming, 1986).

The four identified gaps in diversity management research are addressed in this study. The objectives of the study therefore are, firstly, to describe the current state of diversity management within South African companies. Benchmarking is an important first step towards improving diversity management, because it indicates areas for improvement (Bowmaker-Falconer, Horwitz, & Searll, 1996). Secondly, to develop a theoretical framework for managing diversity within the context of South Africa through the synthesis and development of existing models. This framework will be used to derive the diversity management competencies that are necessary at the firm level for effective diversity management. Thirdly, to investigate how diversity management competency affects important firm outcomes and to explain how it does this through intermediate diversity-related outcomes. The purpose of this objective was to investigate a business case for managing diversity, which could potentially increase the propensity to pursue sound employment equity management in South African firms.

## **1.2 RESEARCH OBJECTIVES**

The broad research objective of this study was to formulate a framework of diversity management competency (DMC) and to determine whether the level of DMC would have differential effects on different diversity management outcomes (DMO) and a firm's performance.

More specifically, the objectives of this study were as follows:

- To develop an explanatory structural DMC model which indicates how DMC is related to firm performance;
- To determine whether DMC, DMO and firm performance are significantly related;
- To suggest guidelines for diversity management practice; and
- To develop and propose a research agenda regarding the above.

## **1.3 OVERVIEW OF THE STUDY**

Chapter 2 provides a literature study on diversity, diversity management and diversity management competencies. The chapter concludes by proposing possible diversity management competencies. Chapter 3 comprises a literature overview of performance outcomes and other diversity-related outcomes. The literature studies discussed in Chapters 2 and 3 are concluded in an explanatory structural model which proposes how the different variables influence each other. Chapter 4 focuses on the research methodology and includes the research design, the hypotheses, the development of the measurement instruments, selection of the sample, administration of the measurement instruments, statistical analyses performed, and the shortcomings of the methodology that was followed. The results are reported and discussed in Chapter 5 and finally, conclusions and recommendations are provided in Chapter 6.

## **CHAPTER 2: THE DEVELOPMENT OF A FIRM DIVERSITY MANAGEMENT COMPETENCY MODEL**

### **2.1 INTRODUCTION**

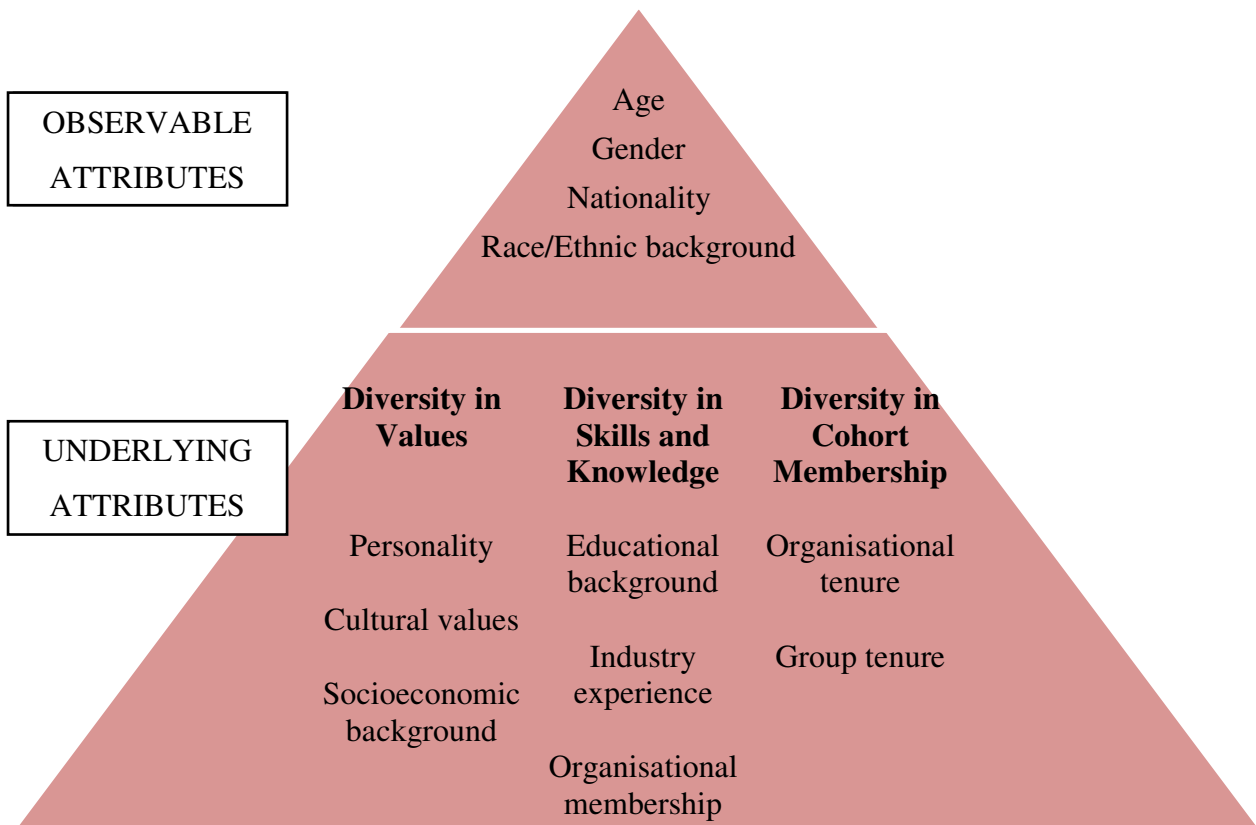
Chapter 1 described the context and relevance of the present research. The current chapter starts with a discussion of the concept of diversity and how it is contextualised in South Africa. This is followed by a review of the literature on diversity management and diversity management competencies. The chapter concludes by identifying preliminary diversity management competencies.

### **2.2 DIVERSITY**

#### **2.2.1 Defining workforce diversity**

The term ‘diversity’ is being used increasingly in the world of work. Workforce diversity attempts to acknowledge “the reality that people differ in many ways, visible or invisible” (Chanda, D’Netto, Monga, & Shen, 2009, p. 235). Diversity traditionally was considered to refer to observable attributes such as race, ethnicity, gender, physical ability, and age (DeNisi & Gonzalez, 2009; Roberson, 2006). Management research predominantly focused on these demographic variables (DiTomaso, Parks-Yancy, & Post, 2007). Definitions of diversity later evolved to include non-observable attributes such as culture, religion, and technical and cognitive ability (Harrison & Sin, 2006; Roberson, 2006). Diversity can now be categorised according to observable and underlying attributes (Martins & Milliken, 1996), as indicated in Figure 2.1. Observable attributes refer to more visible aspects of people, whereas underlying attributes refer to aspects that are not visually observable, such as values, skills, knowledge, and cohort membership. Therefore, diversity refers to a multi-dimensional mixture of attributes (Harrison & Sin,

2006; Thomas, 1992), which means that there are numerous types of attributes on which people may differ.



*Figure 2.1.* Observable and underlying attributes of diversity. Adapted from “Searching for Common Threads: Understanding the Multiple Effects of Diversity in Organizational Groups,” by L. L. Martins and F. J. Milliken, 1996, *Academy of Management Review*, 21(2), p. 418.

Diversity can be defined as “the distribution of differences among the members of a unit with respect to a common attribute” (Harrison & Klein, 2007, p. 1200). This definition firstly emphasises that diversity is a unit-level construct. Diversity does not refer to an individual’s differences in relation to others, but describes the composition of a collection of individuals (Harrison & Klein, 2007; Harrison & Sin, 2006). Secondly, the definition emphasises that diversity refers to a certain attribute. The unit is not diverse in itself, but rather, is diverse with reference to a specific attribute (Harrison & Klein, 2007). This attribute should additionally be worth mentioning. It should have "a significant impact on

group interaction and outcomes" (DiTomaso et al., 2007, p. 474). Eye colour, for example, may not have a significant effect on group interaction in most circumstances, and therefore one would not consider a group of people with different eye colours as a diverse group. Some attributes may, however, be of more significance in certain circumstances than in others. The context therefore determines which attributes are more relevant (DiTomaso et al., 2007).

In terms of diversity attributes, Human resource management (HRM) literature has largely focused on demographic differences such as gender, race and age. In the workplace, however, it is important to not only acknowledge that people differ in various observable aspects, but that these aspects are often accompanied by differences in perspectives, assumptions, causal beliefs and approaches to work (Martin & Milliken, 1996; Roberson, 2006). Considering solely demographic differences may not adequately reflect the full meaning and impact of diversity within the workplace. Diversity is a complex construct; it should be understood from the perspective that people bring different perspectives and resources to the workplace and people have different needs, preferences, lifestyles and expectations (Cummings & Worley, 2008).

In terms of complexity, diversity can be perceived on a continuum ranging from a maximalist approach to a minimalist approach (Human, 1996b). The maximalist approach sees diversity as largely determined by different cultures where culture is seen as playing a deterministic role in the differences in behaviour between people (Human, 1996b). A major critique of maximalism is, however, that it emphasises group differences, which may lead to stereotypes, and it denies between-group similarities and the influence that other social variables have (Human, 1996a). Diversity is much more complex than what maximalism propagates. The minimalist approach argues that culture is a subconscious part of a person's identity as a communicator and is therefore largely constructed by the perception of the other party in the interaction (Human, 1996b). Diversity is therefore seen as a relative construct. Minimalism's major critique is, however, its emphasis on relativism, which leads to an incapacity to make sense of or understand people's behaviour (Human, 1996b). Without a superior understanding of the myriad sociological and psychological variables which impact social interaction,



diversity cannot truly be understood and appropriately managed on a practical level (Human, 1996a).

Contextualisation of diversity may bring some clarity amidst its complexity. Larkey's (1996) explanation of diversity reveals how the context determines which diversity element is more relevant. Larkey (1996) emphasised that diversity encompasses (a) differences in worldviews or subjective cultures, and (b) differences in identities among group members in relation to other groups. The different worldviews or cultures of people usually result in different ways of behaving and communicating (Larkey, 1996). Shared cultural knowledge, meaning and behaviours often provide individuals with a group identity which allows group members to perceive themselves as belonging to the group and perceiving others as out-group members (Larkey, 1996). People, however, also differ in the extent to which they identify with the group identity and how they express the identity in different contexts (Larkey, 1996). People therefore differ regarding the extent to which they identify with certain groups, and people additionally identify with different groups in different contexts (Human, 1996b). Diversity is therefore best understood within a particular context that determines which diversity attributes are more relevant. As previously mentioned, certain diversity categories are more relevant in particular contexts than in others (DiTomaso et al., 2007).

### **2.2.2 Typology of diversity**

When referring to diversity, the way in which individuals differ in terms of a certain category should also be made clear. Definitions of diversity are often limited to the concept of 'differences' without elaborating on the implications of differences amongst unit members on a specific variable or category (Harrison & Klein, 2007). Harrison and Klein (2007), however, brought clarity to the concept of diversity by formulating a typology for diversity. They proposed that diversity can refer to three different features, namely separation, variety and disparity (Harrison & Klein, 2007). Separation refers to differences with regard to individuals' positions or opinions. Variety refers to differences with regard to category, kind, or source of relevant knowledge or experience among individuals. Disparity refers to differences amongst individuals with regard to their

proportion of socially valued resources or the assets that they have (Harrison & Klein, 2007).

Each type of diversity feature is associated or derived from particular theories of diversity. Separation is based on the similarity attraction (Byrne, 1971) and social categorisation (Tajfel, 1981) theories which postulate that diversity limits behavioural and social integration, which has detrimental effects on performance. Disparity is based on the ecological and cognitive models of variation and selective retention (Campbell, 1960) and the cybernetic principles of requisite variety (Ashby, 1956), which emphasises the benefits that heterogeneity in information resources offer. Disparity is based on the theories of distributive justice (Adams, 1963), tournament (Lazear & Rosen, 1981), and stratification, status hierarchy, or status characteristics (Berger, Cohen, & Zelditch, 1972). These theories postulate that diversity of valued resources or assets that signify power or status leads to competition, suppression of voice and personal undermining, which all have negative effects on a unit's functioning (Harrison & Klein, 2007).

Although the three features are distinctly different, they are not mutually exclusive categories. A certain attribute may fall in all three categories, depending on the situation in which it is used. For example, demographic diversity can be meaningfully conceptualised according to all three types of diversity (Harrison & Klein, 2007). The type of conceptualisation is dependent on the meaning that is attached to a demographic attribute and the perspective or theory from which the attribute is viewed (Harrison & Klein, 2007). The demographic variable of gender can, for example, be conceptualised as separation, variety and disparity (Harrison & Klein, 2007). Gender is implicitly conceptualised as separation when scholars propose that (1) gender reflects a distribution of opposing beliefs about the appropriateness of critical team processes or outcomes, (2) it is negatively related to identification and cohesion within a unit, and (3) these effects are symmetric such that gender diversity has similar effects when a unit is numerically dominated by men or by women. Scholars implicitly conceptualise diversity as variety when they propose that men and women have qualitatively different collections of knowledge, which is why gender diverse units spark creativity and innovation. Lastly,

scholars implicitly conceptualise diversity as disparity when power differences are emphasised between women and men (Harrison & Klein, 2007).

### **2.2.3 Measuring diversity level**

The various definitions of ‘diversity’ have led to numerous ways in which diversity is measured (Harrison & Sin, 2006). Chung-Herrera et al. (2009, p. 128) stated that “diversity has been conceptualized and measured in a variety of ways, contributing to conceptual confusion as well as detrimental effects on knowledge building”. One of the major reasons for confusion in how to measure diversity is that it is seldom explicitly defined (Harrison & Klein, 2007; Harrison & Sin, 2006).

For this study, diversity is perceived as variety and is therefore defined as differences with regard to any category, kind, or source of relevant knowledge or experience among individuals. A measure of variety diversity should have the following characteristics (Budescu & Budescu, 2012):

- It should be bounded from above and below;
- The minimal value is obtained when all the observations are concentrated in one category;
- The maximal value is obtained when all groups are equally represented; and
- The measure is constant across transformations that preserve the identity and integrity of the groups.

There are three approaches to measuring variety diversity that comply with the stated characteristics, namely the Simplistic Majority-Minority approach, the Generalised Variance (GV) approach, and the Entropy approach (Budescu & Budescu, 2012). The Simplistic Majority-Minority approach is only relevant when there are two diversity categories, while the other two approaches are relevant for multiple diversity categories. The last two approaches were therefore more appropriate for this study and were strongly favoured above the Majority-Minority approach (Budescu & Budescu, 2012).

Variety has commonly been measured within the literature by the GV approach (Barnett, Chadwick, Dwyer, & Richard, 2004; Harrison & Klein, 2007). This measure uses Euclidian distances to indicate diversity. 'Distance' in this case refers to the extent to which individuals differ on the basis of a certain attribute (Harrison & Klein, 2007). The formula is as follows:

$$GV = \sum P_i (1 - P_i) = 1 - \sum P_i^2 \quad (1)$$

$P$  is the number of individuals falling in a class of a category and  $i$  represents the number of category classes. The range of the index is from 0 to  $(i - 1)/i$  (Harrison & Klein, 2007). If, for example, a unit has four category classes, the maximum heterogeneity will be  $(4 - 1)/4$ , which is 0.75. GV indicates the chance that two randomly selected individuals belong to different groups (Budescu & Budescu, 2012; Harrison & Klein, 2007). This measure is often called Blau's index of heterogeneity (Barnett et al., 2004; Harrison & Klein, 2007).

The Entropy approach is "a measure of disorder or unpredictability in a physical system" (Budescu & Budescu, 2012, p. 4). The weights are the binary logarithms (Base 2) of the probabilities and  $\text{Log}(0) = 0$  is assumed. The formula is as follows (Budescu & Budescu, 2012):

$$H = - \sum P_i \text{Log}_2(P_i) \quad (2)$$

The GV and Entropy measure are highly correlated, which indicates that they lead to similar results in most cases (Budescu & Budescu, 2012). However, the GV measure is slightly favoured because of its more simplistic calculations and because the probabilistic interpretation of the GV is more intuitive than the interpretation of the Entropy measure (Budescu & Budescu, 2012).

The predominant diversity issue within South Africa is that of racial equality (Chanda, D'Netto, Monga, & Shen, 2009). Race/ethnicity is therefore a relevant diversity attribute in the South African context. It is believed that race/ethnicity encompasses differences in perspectives, beliefs and behaviours because of the often different backgrounds and

experiences of different racial/social groups in South Africa. Although diversity may refer to a much broader scope of attributes than solely race/ethnicity, numerous theoretical and methodological difficulties occur when incorporating various attributes in operationalising diversity (Harrison & Klein, 2007; Harrison & Sin, 2006). Two major drawbacks specifically surface when using an overall diversity measure for various attributes like the measures defined by equation 1 and 2. First, when using an overall measure, the different classes of attributes are treated as having the same causal power and therefore the effects that might be due to one specific category are masked (Harrison & Klein, 2007). Second, using an overall diversity measure also masks substantial differences between the attribute classes (Harrison & Klein, 2007). For example, a unit consisting of six White men and two African/Black women will have the same overall diversity score as six Black women and two White men. It is questionable, however, whether the dynamics of the two units or the unit outcomes will be the same. Harrison and Klein (2007) advised that overall diversity measures should only be used when there is theoretical motivation to do so, or when there is evidence of convergent validity amongst the different attributes.

Bastin et al. (2011) measured demographic representativeness within their study by using the Kolmogorov-Smirnov  $D_n$  statistic. This statistic is mostly used to determine the representativeness of a sample for a certain population. The formula is as follows:

$$D_n = \sup |F_n(x) - F(x)| \quad (3)$$

Sup refers to the supremum function,  $F_n(x)$  is the proportion of employees in the first  $x$  groups (ordered by frequency) and  $F(x)$  is the proportion of the community in the same first  $x$  groups. The Kolmogorov-Smirnov  $D_n$  statistic does not indicate the difference between two variables, but it indicates "the maximum discrepancy between the profile of one sample (i.e., an organisation) and the profile of another sample (i.e., a community), by comparing the cumulative distributions of the two samples" (Bastin et al., 2011, p. 1109). The statistic is at its minimum value if the profiles match exactly and is at its maximum value when there is no correspondence at all. To ensure that the statistic indicates representativeness, the statistic can be reversed.

When evaluating the effect that diversity has on organisations, it is crucial to have a thorough understanding of what constitutes diversity and how to measure it. However, it was argued in Chapter 1 that the focus of studies should not be on the effect of a diverse workforce on organisations, but rather on the effect of diversity management on organisations. Clarity should therefore be found on what constitutes diversity management.

## **2.3 DIVERSITY MANAGEMENT**

The discussion of the concept of diversity has emphasised the complexity of a diverse workforce. A diverse workforce encompasses large differences on various different attributes which affect group interactions in differential ways. A non-diverse workforce encompasses small differences on a large number of variables. To effectively manage a diverse workforce, the management approach should acknowledge the complexity of its workforce. The heterogeneity of a workforce denotes that it is unlikely that each employee will respond in the same way to any management approach (Liff, 1999). Within the diverse workforce of today it is thus crucial that management recognise that employees are different and that diversity issues should be addressed when managing the diverse workforce (Liff, 1999).

### **2.3.1 Defining diversity management**

The term 'diversity management' was first used in 1987 in a report of the Hudson Institute called *Workforce 2000* (Jack & Lorbiecki, 2000). This report informed the United States of America that by the year 2000 the majority of the workforce would comprise minority groups which included African-Americans, Hispanics, Native Americans, women, etc. (Jack & Lorbiecki, 2000). 'Diversity management' quickly became politicised when it was used as an alternative for the term 'affirmative action', which caused unease, especially among white males (Jack & Lorbiecki, 2000). This is the reason why diversity management is still seen as largely consisting of affirmative action. A clear distinction should however be made between affirmative action and diversity management.

Affirmative action comprises a way of increasing the diversity within companies (Thomas, 2001) by opening “the corporate doors for previously disadvantaged people” (Thomas, 1996, p. 7). Managing diversity is about ensuring that the perspectives and talent that already exist in a company are fully utilised (Jackson, 1992). These two interventions are none the less inter-related in as far as success on the former necessitates the latter. In countries or organisations where affirmative action (AA) is not relevant, diversity management is still relevant though. The differences between employment equity (EE), AA and diversity management are discussed more in detail in Section 2.3.2, which follows.

'Diversity management' later took on a more economical stance when articles which warned companies that their performance and image would be damaged if they did not effectively manage the diverse workforce were published (Jack & Lorbiecki, 2000). Some studies revealed that diversity, when appropriately utilised and managed, assists in improving the quality of decisions, and in generating innovative ideas and better solutions (Cox, Lobel, & McLeod, 1991; Iles & Wilson, 1999). It has also been proposed that diversity enables access to new markets by mirroring those markets (Blake & Cox, 1991; Gardenswartz & Rowe 1998; Iles, 1995) and diversity increases a company's corporate image (Chanda et al., 2009). Diversity management therefore became a business imperative which sustains a company's competitiveness in a turbulent global marketplace (Jack & Lorbiecki, 2000). This is widely referred to “the business case for diversity”, which means that diversity management efforts significantly contribute to the productivity of an organisation (Harvey, 2005). The business case theory of diversity management was criticised on account of validity, however (Jack & Lorbiecki, 2000) and empirical results of the performance effects of diversity revealed mixed results (Chung-Herrera et al., 2009; Jack & Lorbiecki, 2000).

Currently, scholars advocate that a diverse workforce does not automatically result in positive results (Chanda et al., 2009). The benefits that diversity can deliver may not lie in diversity itself, but rather in *how it is managed* (Nyambegera, 2002). It is not sufficient to only tolerate and accept different individuals, but an atmosphere has to be created in which all kinds of individuals feel included and valued (Chanda et al.). It is also critical

that organisations develop the capacity to leverage diversity as a resource (Cox, 2001). Diversity should therefore be managed *actively*.

It should however be made clear that diversity management is not limited to one department or to a specific managerial level of the organisation (Brevis, Cronjé, Smit, & Vrba, 2011). It is an overall approach of the whole organisation (Brevis et al., 2011). Thomas (1996, p. 10) formulated an accurate definition of diversity management, which is as follows:

Managing diversity can be defined as a planned, systematic and comprehensive managerial process for developing an organisational environment in which all employees, with their similarities and differences, can contribute to the strategic and competitive advantage of the organisation, and where no-one is excluded on the basis of factors unrelated to productivity.

### **2.3.2 Employment equity (EE), affirmative action (AA) and diversity management**

Confusion often occurs with regard to the terms employment equity (EE), affirmative action (AA) and diversity management (Booyesen & Nkomo, 2010). A clear distinction between the terms is therefore made.

AA and EE are policies aimed at redressing work-related inequalities with regard to gender, disabilities and race (Booyesen & Nkomo, 2010; Inyang, 2007). EE emphasises the importance of treating people equally, irrespective of their demographic characteristics (Inyang, 2007). The focus of EE is on identifying and removing unfair employment practices (Billing & Sundin, 2006). AA attempts to control the demographics of an organisation by benefitting specific targeted groups (Inyang, 2007). AA is a process that creates diversity (Booyesen & Nkomo, 2010) by actively recruiting and promoting individuals from previously disadvantaged groups (Konrad & Linnehan, 2003). Both EE and AA indirectly support the premise that racial, ethnic and gender prejudices are the cause of social and occupational exclusion (Bowmaker-Falconer, Horwitz, & Searll, 1995) and therefore aim to eradicate discriminatory practices (Billing & Sundin, 2006; Booyesen & Nkomo, 2010). EE and AA are based on the justice



argument and focus on moral, social and legal concerns (Billing & Sundin, 2006; Booysen & Nkomo, 2010; Inyang, 2007).

Three major differences between diversity management and EE and AA can be identified. Firstly, diversity management is an approach that is more holistic than EE and AA (Inyang, 2007). The diversity management approach recognises that people differ in many ways and people are therefore treated as individuals (Bowmaker-Falconer et al., 1995; Inyang, 2007). EE and AA, on the other hand, focus on demographic group differences and not on individual differences. A second difference is that EE and AA are accompanied by laws that are imposed on others (Booyesen & Nkomo, 2010). The imposed legislation often evokes adversarial reactions (Booyesen & Nkomo, 2010). Diversity management, however, is based on the positive premise that diversity is valuable and may contribute to the organisation (Booyesen & Nkomo, 2010; Cornelius & Gagnon, 2002). Diversity management therefore emphasises the business case for diversity, which proposes that diversity may contribute to the productivity and profitability of an organisation (Inyang, 2007). A third difference between the concepts is that EE and AA are mostly driven by external legal pressures, while diversity management is driven by the proactive, internal efforts of an organisation (Booyesen & Nkomo, 2010). Table 2.1 indicates the differences between AA/EE and diversity management in greater detail.

Table 2.1

*The major differences between EE/AA and diversity management*

<b>Employment Equity / Affirmative Action</b>	<b>Diversity Management</b>
Government-initiated	Voluntary (company-driven)
Legally driven	Productivity- and business-case-driven
Quantitative – getting the numbers right	Qualitative – getting the organisation culture right
Problem-focused	Opportunity-focused
Assumes assimilation	Assumes integration
Internally focused	Internally and externally focused
Reactive – addressing historical discrimination	Proactive – addressing future inclusivity
Human-resource-focused	Human-capital and social-capital-focused
Can lead to stigmatisation, tokenism and feelings of unfairness and polarisation	Enhanced appreciation of cultural differences and inclusivity
Tools: EE plan, quotas and preferential treatment	Diversity vision and plan, training, development culture and system change

*Note.* Adapted from “Employment Equity and Diversity Management in South Africa,” by L. A. E. Booysen, and S. M. Nkomo. In A. Klarsfeld (Ed.), *International handbook on diversity management at work: Country perspectives on diversity and equal treatment* (p. 232). Cheltenham: Edward Elgar Publishing Limited.

Table 2.1 emphasises how diversity management is a more positive and proactive focus in comparison to EE/AA. The diversity management approach was actually developed as a result of the limited success of EE and AA efforts (Cornelius & Gagnon, 2002). EE and AA, which largely entail legislative pressure, are insufficient to drive transformation of the workforce (Inyang, 2007). Diversity management is a more sustainable approach in organisations, although AA and EE and diversity management are not mutually exclusive (Inyang, 2007). AA and EE can form part of the larger diversity management approach, or they could be seen as efforts that support one another (Inyang, 2007).

## 2.4 DIVERSITY MANAGEMENT WITHIN SOUTH AFRICA

Prior to 1990, demographic diversity in the workplace had been suppressed in South Africa, due to Apartheid legislation. The corporate environment was dominated by the rule of the White population group (Bowmaker-Falconer et al., 1995). Although twenty-two years have passed since the start of the abolishment of Apartheid legislation, South

Africa is still plagued by its history of institutionalised discrimination. A number of significant legislation reform efforts have been initiated since 1980 to promote social justice and equality and to redress the unfair discrimination of the past (Booyesen, 2007). Booyesen records the first legislation that took effect as the Labour Relations Act 66 (Republic of South Africa (RSA), 1995), the Constitution of South Africa (RSA, 1996) and the Basic Conditions of Employment Act 75 (RSA, 1997). Next, the Employment Equity Act 55 (RSA, 1999), the Skills Development Act 97 (RSA, 1998), and the Skills Development Levies Act 9 (RSA, 1999) were legislated. The last two acts emphasised and aimed to address the skills shortage of the South African workforce. The Broad-Based Black Economic Empowerment (BBBEE) Commission (RSA, 2003) was also established to increase Black representation within management and Black ownership of businesses (Booyesen, 2007).

The South African government's legislative pressure on transforming the workforce has forced companies to focus their attention on complying with the labour law (Human, 2005). Unfortunately, many organisations in South Africa have not gone beyond legislative compliance. Most organisations are "trapped" in focusing solely on compliance with equal opportunity laws (Brevis et al., 2011). As cited in Booyesen (2007), studies by Ngambi based on Ely and Thomas's (2001) perspectives on diversity, revealed that the predominant perspective of South African organisations is the discrimination-fairness perspective. The discrimination-fairness perspective focuses on legislative compliance (Ely & Thomas, 2001). Although legislative compliance is necessary and integral to effective diversity management, it is not sufficient in isolation (Booyesen & Nkomo, 2010). Legislation creates a platform for South African organisations to perform effectively with their diverse workforce, but companies still need to leverage the platform through effective management (Erasmus, Schenk, & Swanepoel, 2008). Organisations should shift their orientation from a compliance mind-set or "tick box mentality" (Horwitz & Jain, 2011, p. 23) towards internal commitment towards transformation and capacity building (Browning, Horwitz, Jain, & Steenkamp, 2002). Employment equity implementation should be supported by organisational practices that focus on human development and on creating an inclusive work environment (Booyesen & Nkomo, 2010).

There is a gap between the legal intent of labour legislation and HRM practice in South Africa. Labour legislation's aims are to remove unfair discrimination and redress skills and pay imbalances, but these aims were not fully realised in HRM practices by 2002 (Browning et al., 2002). It is suspected that the intent of legislation still has not been achieved.

Diversity management is a relatively new concept in South Africa (Booyesen & Nkomo, 2010) and academic discourse on diversity management has only emerged during the last eighteen years (Booyesen & Nkomo, 2010; Human, 1996). Theory on diversity management in South Africa has, as in the United States of America (USA), moved away from the melting-pot mentality, whereby employees are assimilated into the dominant organisational culture, towards multiculturalism, which acknowledges differences (Booyesen & Nkomo, 2010). Diversity theory in South Africa is far ahead of what is actually practiced, however. Some companies still see diversity management solely as affirmative action or employment equity (Carrell, Elbert, Grobler, Hatfield, & Wörnich, 2006). Only a few South African organisations have implemented progressive diversity management practices (Booyesen & Nkomo, 2010).

Management of human resources in general is not taken very seriously in South African businesses (Budhwar & Debrah, 2001). HR departments remain isolated in many South African companies (Budhwar & Debrah, 2001). Many HR practitioners are systematically excluded from strategic and policy decisions, which emphasises the peripheral role that HRM plays within organisations (Els & Wood, 2000). The role of HR practitioners is often limited to personnel administration (Els & Wood, 2000). However, personnel administration should only be one of the roles of the HR practitioner since more strategic contributions are needed in an economy that has shifted away from manufacturing towards knowledge work (Brockbank, Johnson, Sandholtz, Ulrich, & Younger, 2008). The peripheral role that HR plays in many organisations causes a lack of driving force for the diversity management agenda.

HRM can contribute greatly to address the gap between the intent of the labour legislation and the current practice of business in South Africa (Browning et al., 2002).

There is a great need to develop a model for managing the diverse workforce of South Africa (Coster, McFarlin, & Mogale-Pretorius, 1999), which can be applied through HRM. The diversity management model should also be relevant to the unique diversity issues of South Africa (Thomas, 1996). Companies should then tailor the model to their company context so that managing diversity contributes to competitive advantage (Thomas, 1996).

Diversity management research is crucial to guide organisations in South Africa towards the effective management of the diverse workforce. More research is needed on (a) clear conceptualisation of the diversity construct, the (b) outcome variables that are affected by the manner in which employees respond to diversity, (c) how these outcome variables affect individual and unit performance, and (d) the nature of the managed actions that are required to affect the manner in which employees respond to diversity. Such research in South Africa is extremely scarce. Most research on diversity management has been generated from Western countries (Chanda et al., 2009) and it is unlikely that diversity management research findings from Western contexts can be mapped onto South African organisations (Nyambegera, 2002). Each country has its own diversity issues and country-specific research could incorporate appropriate socio-cultural influences (Chanda et al., 2009). However, without sufficient research in the South African context, knowledge and insights on diversity management should be drawn from available western literature.

## **2.5 DIVERSITY MANAGEMENT MODELS AND FRAMEWORKS**

Very few models and frameworks have been developed to indicate how diversity management relates to organisational outcomes. Diversity research has mainly focused on the group level rather than the organisation level (Joshi, Liao & Roh, 2011); therefore numerous diversity models indicate the effect of group processes on firm performance. Some identified models are discussed in the section that follows.

### 2.5.1 Group-level diversity models

Martins and Milliken (1996), through their review and evaluation of management studies, conceptualised a model that indicates how different types of group diversity have differential effects on the affective, cognitive, symbolic and communication-related consequences on individuals, as indicated in Figure 2.2. These individual-level short-term outcomes have an influence on long-term individual, group and organisational outcomes. The model also indicates that diversity has direct effects on long-term outcomes such as performance and turnover. The differential effects of diversity provide an explanation of the complex relationship between diversity and long-term organisational outcomes. The intermediate outcomes of the model furthermore indicate that diversity has an effect on various levels, namely affective, cognitive and behavioural levels.

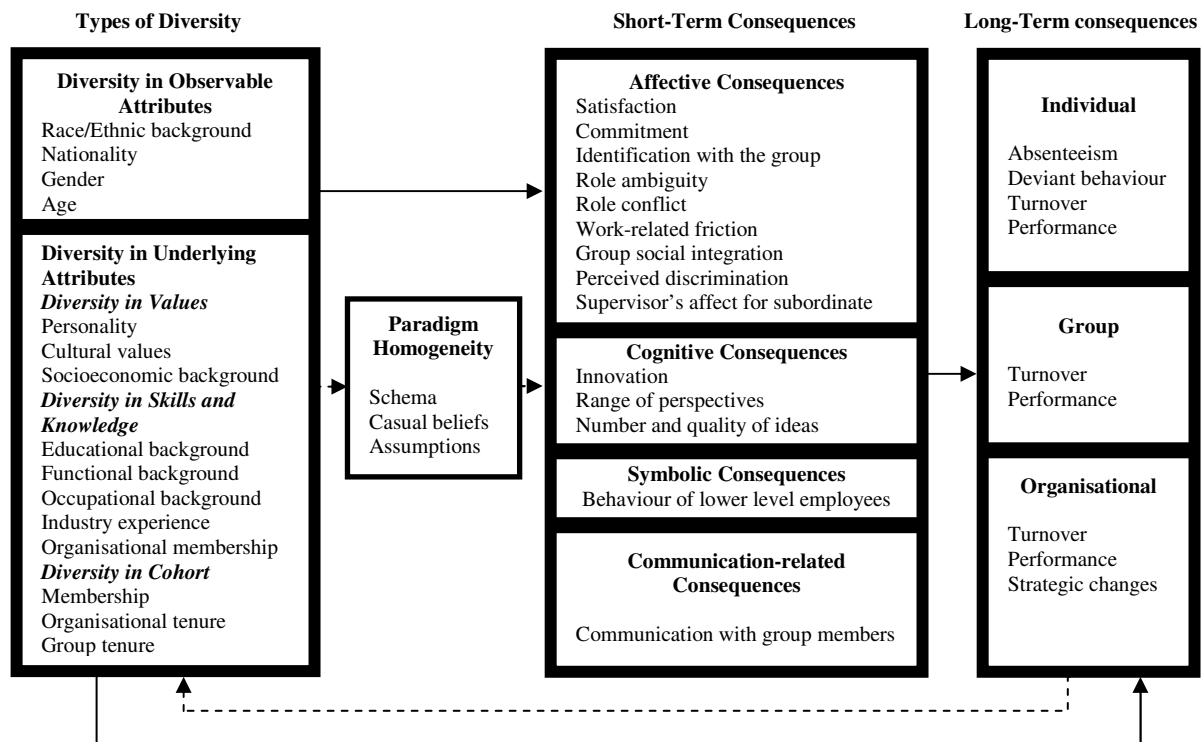
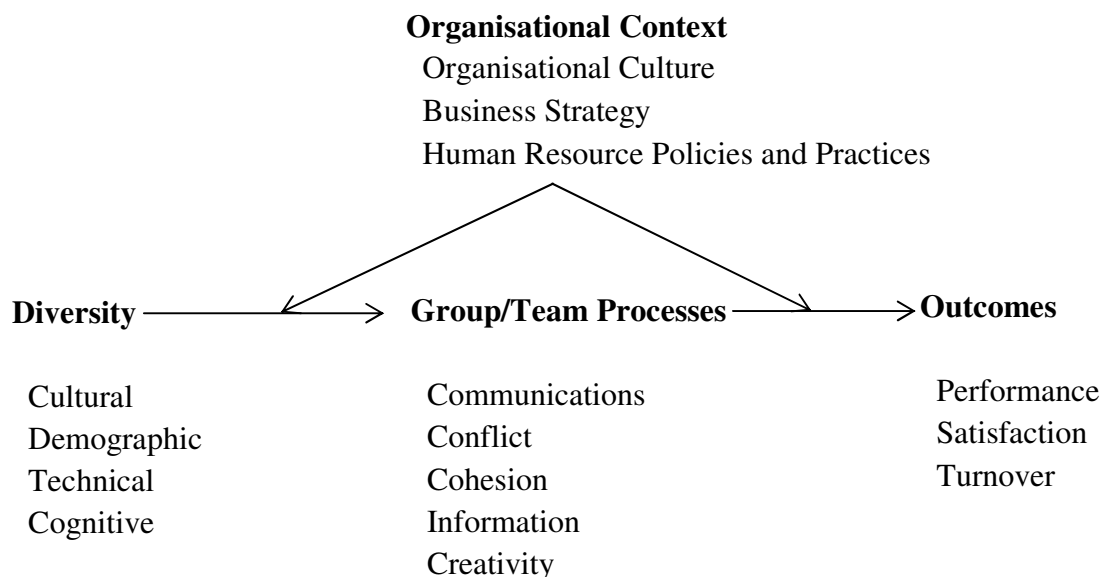


Figure 2.2. Effects of diversity in organisational groups. Adapted from “Searching For Common Threads: Understanding the Multiple Effects of Diversity in Organizational Groups” by L. L. Martins and F. J. Milliken, 1996, *Academy of Management Review*, 21(2), 402-433, p. 418. Copyright 1996 by the Academy of Management Review.

Martins and Milliken's (1996) model focuses on the intrapersonal and interpersonal outcomes of diversity. The focus is therefore on the individual and the group level, which does not coincide with the organisational-level focus of the present study.

Bezrukova et al. (2002) conceptualised the model illustrated in Figure 2.3, which was developed from a review of laboratory as well as field studies. The model suggests that whether diversity has a positive or negative impact on performance may depend on several aspects of an organisation's strategy, culture, and human resource (HR) practices. In addition, the model proposes that these effects are likely to operate through group or team processes such that, under facilitating conditions, diversity is associated with positive group or team processes and is therefore beneficial to performance, whereas under inhibiting conditions, diversity is associated with negative group or team processes and is therefore detrimental to performance (Bezrukova et al., 2002).



*Figure 2.3* The effects of diversity on group processes and outcomes. Adapted from “The Effects of Diversity on Business Performance: Report of the Diversity Research Network,” by K. Bezrukova, R. Ely, S. Jackson, K. Jehn, A. Joshi, T. Kochan, J. Leonard, D. Levine, and D. Thomas, 2003, *Human Resource Management*, 42, p. 8.

The models by Martins and Milliken (1996) and Bezrukova et al. (2002) are both focused on group diversity and propose how such diversity influences organisational outcomes through individual, interpersonal and group processes. The models do not focus on diversity management, although the study by Bezrukova et al. (2002) does include business strategy and Human Resource (HR) policies and practices as moderating influences in the relationship of diversity and organisational outcomes. The models do, however, contribute by indicating that diversity has a complex relationship with organisational outcomes.

### **2.5.2 Organisational-level diversity models**

Some models with a focus on diversity management on the organisational level have been developed, however. These models include those by Cox (1994), Gilbert, Ivancevich and Stead (1999), and Chanda et al. (2009), which are discussed next.

Cox's (1994) research on diversity management is widely cited in the literature. Cox (1994) conceptualised the Interactional Model of Cultural Diversity (IMCD) portrayed in Figure 2.4, which proposes that the impact of diversity on an organisation is determined by the interaction of individuals and the environment. The model illustrates that diversity climate is determined by variables lying on three levels, namely on the individual, group and inter-group, and organisational level. Certain factors on the individual, group and inter-group level, as indicated in the model, constitute the diversity climate within a company. The climate is therefore influenced, for example, by the organisational-level factors of structural and informal integration and the level of bias that may exist in the human resource systems.



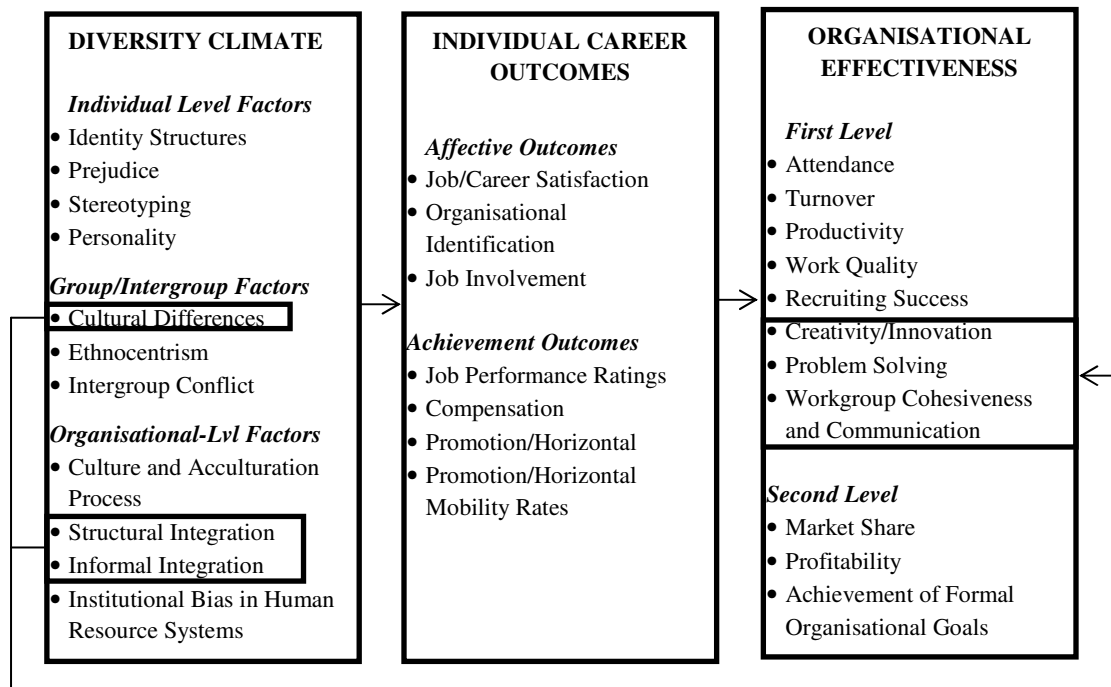


Figure 2.4. Interactional model of Cultural Diversity. Adapted from “Developing competency to manage diversity: Reading, cases & activities,” by R. L. Beale and T. Cox, 1997, p. 32. San Francisco: Berrett-Koehler Publishers.

The diversity climate of an organisation influences the affective and achievement outcomes of an individual which, in turn, influences the organisation’s effectiveness (Cox, 1994). The affective and achievement outcomes are therefore the intermediate outcomes within the model. Individual affective outcomes are those feelings that individuals have toward their jobs and the company, and their beliefs about opportunities they have in the work environment. The affective outcomes coincide with the affective consequences of Martins and Millikens’s (1996) intermediate outcomes. Individual achievement outcomes refer to concrete indexes of an individual’s contribution to the organisation, such as performance ratings, compensation and promotions (Moon, 1997). The model also proposes that some diversity factors have a direct influence on an organisation’s effectiveness. Factors such as creativity, innovation and work group communication constitute organisational effectiveness. These factors are directly influenced by cultural differences, and the structural and informal integration of

employees (Moon, 1997). In this regard, the major contribution of Cox's (1994) model is its multi-level focus.

Gilbert et al. (1999) conceptualised the model illustrated in Figure 2.5. This model reflects that companies leading the diversity movement view valuing diversity as a complete cultural change, rather than an isolated component of policy design (Gilbert et al., 1999). To drive the culture change process, the CEO of a company should believe that diversity management makes sense from a justice and a business perspective. Diversity management as a strategic imperative will result in the transformation of the HR function (Gilbert et al., 1999). The transformed HR function will result in positive individual level outcomes for minority and majority individuals, such as penetration of the glass ceiling and increased integration. The transformed HR function will also cause positive attitudes toward diversity, such as acceptance and appreciation of differences. The company's culture will become multicultural. Benefits from effectively managed diversity ultimately affect important organisational outcomes (Gilbert et al., 1999).

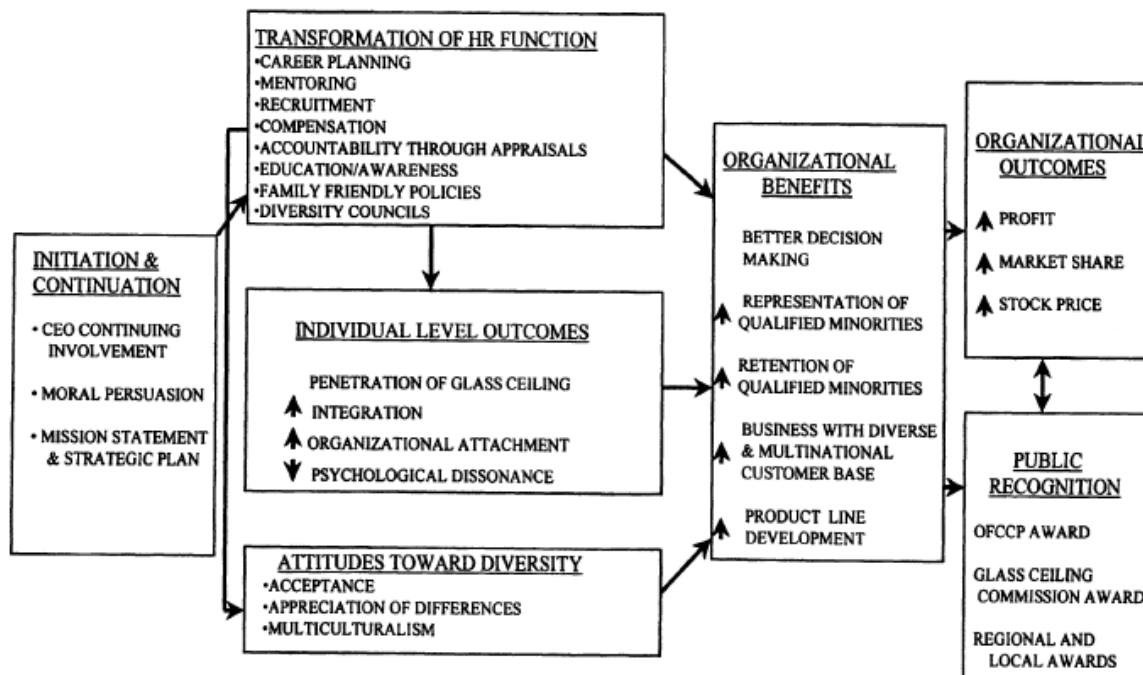


Figure 2.5. Model of effective diversity management. Adapted from “Diversity Management: A New Organizational Paradigm,” by J. A. Gilbert, J. M. Ivancevich and

B. A. Stead, 1999, *Journal of Business Ethics*, 21(1), p. 67. Copyright 1999 by Kluwer Academic Publishers.

Chanda et al. (2009) developed a framework which focuses on the contribution of Human Resource Management (HRM) to diversity management. They postulate that diversity management should be employed through HR practices at the strategic, tactical and operational level, as indicated in Figure 2.6.

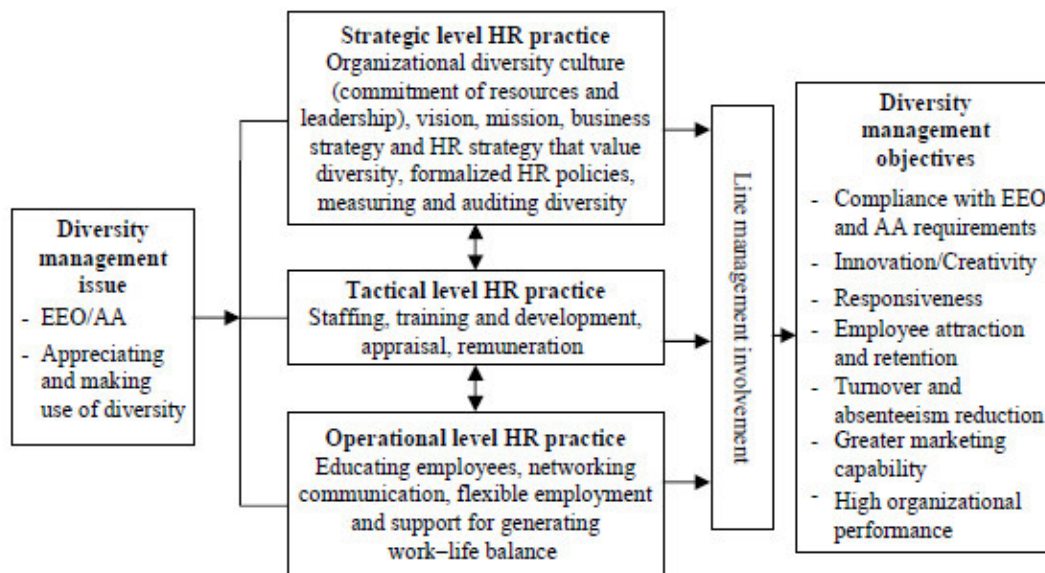


Figure 2.6. A framework for HR diversity management. Adapted from “Managing Diversity Through Human Resource Management: An International Perspective and Conceptual Framework,” by A. Chanda, B. D’Netto, M. Monga, and J. Shen, 2009, *The International Journal of Human Resource Management*, 20(2), p. 245. Copyright 2009 by Taylor & Francis.

The framework reveals the deterministic role of diversity management philosophy or belief and indicates that the diversity management philosophy should be a commitment to EEO, AA, and appreciating and making use of diversity at the strategic level. The diversity management philosophy determines how and to what extent diversity management is practised. The authors postulate that diversity management should be employed through HR practices at the strategic, tactical and operational level. Successful diversity management therefore entails a planned commitment at the strategic level,

transforming HRM to support diversity management at the tactical level, and implementing it on the operational level through education and by adjusting the work conditions. The model also emphasises the role of line managers in diversity management at all levels. Line managers should drive the diversity management initiative (Chanda et al., 2009).

The framework developed by Chanda et al. (2009) shows how the philosophy of an organisation has an integral and guiding role in the application of diversity management, which ultimately has an effect on the organisation's performance. An effective diversity management philosophy does not consist solely of compliance with labour legislation, but also includes appreciation and utilisation of diversity. This implies that different diversity philosophies exist and that they have different effects on organisational outcomes.

### **2.5.3 Diversity beliefs and strategic responses**

Ely and Thomas (2001), though referring to the group level, also emphasised the importance of the perspective that is held in terms of diversity. Their model postulates that the diversity perspective that a group holds shapes how people express and manage tensions related to diversity; whether certain groups in the company feel respected and valued by their colleagues; and how employees interpret their racial identity at work. These, in turn, influence individual and group functioning, as indicated in Figure 2.7 (Ely & Thomas, 2001).

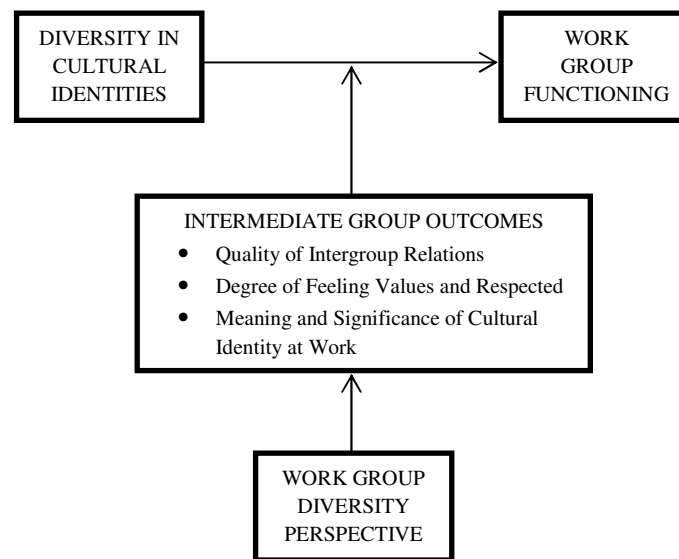


Figure 2.7. Relationship between cultural identity, diversity and work group functioning. Adapted from “Cultural Diversity At Work: The Effects of Diversity Perspectives on Work Group Processes and Outcomes,” by R. J. Ely and D. A. Thomas, 2001, *Administrative Science Quarterly*, 46, p. 236. Copyright 2001 by Cornell University.

Diversity perspectives or mind-sets are normative beliefs and expectations about diversity (Ely & Thomas, 2001) and "people's understanding of how diversity may affect their work group or organization, their understanding of the appropriate way to deal with diversity, and their associated evaluation of diversity" (Schippers & Van Knippenberg, 2007, p. 531). Ely and Thomas (2001) formulated a typology of different perspectives on diversity management. They proposed that the success of diversity initiatives is largely influenced by the diversity perspectives of organisations. The perspectives or orientations that Ely and Thomas (2001) conceptualised are the discrimination-and-fairness paradigm, the access-and-legitimacy paradigm, and the integration-and-learning paradigm. These perspectives are mutually exclusive. Companies therefore have one of these three perspectives.

The *discrimination-and-fairness* paradigm is focused on providing equal opportunities in selection and promotion, suppressing prejudicial attitudes, and eliminating discrimination. The *access-and-legitimacy* paradigm sees diversity as a valuable tool to

gain access to certain markets. The latter paradigm's goal is to match the employees' demographics to that of the market. The *integration-and-learning* paradigm sees diverse insights, skills and experiences as valuable resources to rethink the organisation's primary tasks and to redefine its markets, products, strategies and business practices in ways that will advance the organisation's goal. Diversity therefore influences the way things are done in the company (Ely & Thomas, 2001).

The fundamental dimension along which the three perspectives differ, is how diversity is linked to a group's work and work processes. The discrimination-and-fairness perspective articulates no link between diversity and the group's work. This perspective advocates a colour-blind strategy which ultimately restricts discourse about race. Their ability to learn from one another is therefore compromised (Ely & Thomas, 2001). The access-and-legitimacy perspective only utilises diversity to gain access and legitimacy to markets. How work is done is also not affected by diversity. Employees therefore experience ambiguity about the meaning and significance of their social identity. From the integration-and-learning perspective, diversity is directly linked to how work is done. Discussion from different viewpoints is encouraged, which gives rise to opportunities to learn better ways of doing things. Ely and Thomas (2001) came to the conclusion that the integration-and-learning perspective fosters the best group functioning, because it encourages the exploration of new ideas. Organisational demographic approaches to diversity focused on increasing diversity are necessary but insufficient strategies for firms to reap the benefits of diversity such as flexibility and creativity (Richard, 2000). Diversity will be beneficial to the extent that it influences the design of jobs and the structure of workplaces and if inter-group teamwork is fostered (Richard, 2000).

Dass and Parker (1999) pointed out that each of Ely and Thomas's (2001) diversity perspectives is associated with a certain strategic response. The diversity management strategic response of a firm constitutively refers to the broad characterisation of how diversity is managed and how diversity is managed is usually guided by a certain perspective or belief about diversity within the workplace. The discrimination-and-fairness perspective gives rise to a defensive strategy; the access-and-legitimacy

perspective results in an accommodative strategic response; and the integration-and-learning perspective results in a proactive strategic response (Dass & Parker, 1999).

When characterising firms according to their diversity management strategic response, the defensive response is taken when diversity practices are only implemented in a company to satisfy legislative pressures (Dass & Parker, 1999). The aim of the approach is to avoid being guilty of unfair discrimination; therefore the focus is placed on having the appropriate diversity ratios in the company (Chanda et al., 2009). Tactics such as negotiating with, balancing, and pacifying different interest groups are used as a defence against legal penalties (Dass & Parker, 1999). This approach therefore only complies with minimal requirements of labour legislation.

Greater diversity is actively promoted in the accommodative strategic response (Dass & Parker, 1999), in which diversity is used to tap into diverse markets and customers (Dass & Parker, 1999). An organisation that follows this approach strives to match their employee profile with that of the customers they want to serve. Diverse individuals are therefore not sought for their diverse skills, abilities and perspectives, but rather to create an image which appeals to customers.

The proactive strategic response utilises differences, such as individual characteristics, backgrounds, orientations and beliefs, to change the work itself (Chanda et al., 2009; Dass & Parker, 1999). Similarities are also celebrated to create a common vision (Dass & Parker, 1999). The recognition and acceptance of both differences and similarities gives the employees a sense of being human and connectedness with people (Fuertes et al., 1999).

The small amount of research on diversity perspectives, mind-sets or beliefs indicates that positive diversity outcomes can be expected in contexts where individuals, groups and organisations have favourable attitudes and beliefs toward diversity, are focused on harvesting the benefits of diversity, and have a better understanding of how to realise these benefits (Schipper & Van Knippenberg, 2007). The study by Ely and Thomas (2001) revealed that racial diversity is more positively related to performance when an



organisation is focused on learning from diversity. De Dreu, Homan, Van Kleef and Van Knippenberg's study (as cited in Schippers & Van Knippenberg, 2007) indicates that gender-diverse decision-making groups that believe in the value of diversity are more likely to use their information diversity. This evidence leads to the assumption that positive diversity beliefs influence how diversity is managed, which, again, leads to positive diversity outcomes.

#### **2.5.4 Analysis and synthesis of diversity models**

Martins and Milliken's (1996) study provided insight into the complexity of diversity and revealed that different attributes of diversity will impact interpersonal interaction in different ways. Their study also emphasised that diversity has affective, cognitive, symbolic and communication consequences which have an impact on individuals within the workplace. Although Martins and Milliken's (1996) model provides an intricate understanding of the underlying influences of diversity on individual and group level, the model does not provide practical guidance on an organisational level.

Bezrukova and colleagues' (2002) model reveals that diversity influences organisational outcomes through group processes. These relationships, however, are moderated by contextual factors of the organisation, such as organisational culture, strategy and human resource practices. The study provides a clear understanding of how diversity ultimately affects organisational outcomes and that this relationship is determined by contextual outcomes. However, this model does not provide practical guidance for diversity management implementation.

Cox's (1994) model indicates the deterministic role of diversity climate on organisational outcomes and that diversity climate is influenced through multi-level factors within the organisation. For diversity to ultimately have a positive effect on organisational outcomes, diversity management should take a multi-level approach.

Gilbert et al.'s (1999) model emphasises that diversity management should encompass a whole organisational culture change that is led from the top and cascades towards the transformation of HR functions. Diversity management therefore is a change



management process. The model proposed by Chanda and colleagues (2009) also indicated that diversity management should be introduced through a strategic change and cascade to more operational levels where diversity management is driven by line managers. The models proposed by Gilbert et al. (1999) and Chanda and colleagues (2009) therefore emphasise the organisational approach that should be taken with regard to diversity management.

Ely and Thomas's (2001) model emphasises the importance of how organisations view diversity and that this has a significant effect on group processes. This model does not reveal practical guidance, however, but rather addresses the attitude that organisations should have with regard to a diverse workforce. This particular attitude entails perceiving diversity as a source of learning that will benefit the organisation.

Table 2.2 provides a summary of the models based on significant elements of these models. The reviewed models provide a broad understanding of the causal relationships with regard to diversity management in the organisation. However, they did not shed light or conclusively agree on what the most essential elements that constitute diversity management are. Companies are still in need of a framework that guides their diversity initiatives; a framework which comprises the most essential elements of managing diversity.

Table 2.2

*Summary of models of diversity*

<b>Authors</b>	<b>Process level</b>	<b>Intermediate outcomes</b>	<b>Main contribution</b>
<b>Martins &amp; Milliken (1996)</b>	Individual & Group	Affective, cognitive, symbolic & communication-related consequences	Complex relationship between diversity and organisational outcomes
<b>Bezrukova et al. (2002)</b>	Group	Communication, conflict, cohesion, information, creativity	Moderating effect of organisational culture, business strategy and HR policies and practices
<b>Cox (1994)</b>	Individual, Group & Organisational	Affective and achievement outcomes	Multi-level focus
<b>Gilbert et al. (1999)</b>	Individual & Organisational	Individual level (penetration of glass ceiling; integration; organisational attachment; psychological dissonance) and attitudes towards diversity	Complete culture change
<b>Chanda et al. (2009)</b>	Organisational	None	Deterministic role of diversity management (DM) philosophy; DM should be employed at strategic, tactical and operational level.
<b>Ely &amp; Thomas (2001)</b>	Group	Intergroup relations; feeling valued and respected; meaning and significance of cultural identity	Diversity perspective

**2.6 DIVERSITY MANAGEMENT COMPETENCY (DMC)**

Linking diversity to firm performance requires companies to be competent with regards to diversity management. As emphasised in the model of Chanda et al.(2009), indicated in Figure 2.9, managers should realise in practical ways the diversity management that is planned in an organisation. The practical application of diversity management on a managerial level would therefore be a truer indication of success with regards to diversity management and not merely considering what is planned with regards to diversity management. Companies should therefore reveal a certain level of competence with regards to diversity management to reap the benefits of a diverse workforce. The constructs of competence, competency and diversity management competency will consequently be discussed.

### **2.6.1 Individual-level competency**

‘Competency’ is most often used at the individual level. There is an extended diversity of understandings of the term ‘competency’, which have resulted in various definitions of the term (Ash et al., 2000). There are two common approaches in defining competencies, namely the United States (US) approach and the United Kingdom (UK) approach (Flood & Heffernan, 2000). According to the US approach, competence is an underlying characteristic causally related to superior performance (McClelland, 1973). A more comprehensive definition was formulated by Theron (2010, p. 4), as follows:

Competencies are the abstract representations of bundles of related observable behaviour ... which, when exhibited on a job would constitute high job performance and would [probably, depending on situational constraints/opportunities] lead to job success defined in terms of output/the objectives for which the job exists.

According to the UK approach, competence is the ability to put skills and knowledge in to action (Day, 1989). The UK approach is therefore behaviourally based. In this study the UK approach will be followed.

A distinction should be made between ‘competency’ and ‘competence’. ‘Competence’, in its most basic definition, can be defined as “the ability to do something successfully or efficiently” (Oxford Dictionaries, 2012). Competence entails performing successfully or having adequate knowledge of a certain domain (Ash et al., 2000). Competence therefore is the attainment of a level of mastery, be it through knowledge, skill or ability (Rice, 2006). To make the distinction between ‘competencies’ and ‘competence’ clear: competencies are those KSAOs which will most probably lead to successful performance, while competence is the attainment of successful performance.

### **2.6.2 Organisational-level competency**

‘Competency’ and ‘competence’ are most often used in the context of individual job performance. It has however also been used at the organisational level through the

concepts of distinctive competence (Selznick, 1957), core competence (Prahalad & Hamel, 1990), capabilities-based competition (Evans, Shulman & Stalk, 1992), competence-based strategic management (Heene & Sanchez, 1997), dynamic capabilities (Teece, 2007), and absorptive capacity (Cohen & Levinthal, 1990).

Selznick (1957) conceptualised the term “distinctive competence” which refers to the commitments that an organisation has accepted through the process of adapting to internal and external pressures (Selznick, 1957). In other words, it is the capacity of an organisation to effectively adapt to internal and external pressures (Selznick, 1957).

Hamel and Prahalad (1990) conceptualised the term “core competence” which refers to the ‘collective learning’ of an organisation that constitutes the components of an organisation’s competitive strategy (Allpress, Cooper-Thomas, & Markus, 2005; Ash et al., 2000). Core competencies empower organisations “to adapt quickly to changing opportunities” (Hamel & Prahalad, 1990, p. 81). It should be emphasised that core competence involves many levels of people within an organisation in all the functions (Hamel & Prahalad, 1990). Core competence comes from a mind-set that perceives the organisation as a whole unit and the whole as more than the individual parts (Hamel & Prahalad, 1990). Core competence is not just about the individual parts, such as technologies, that an organisation has, but also comprises the production skills of a whole company (Hamel & Prahalad, 1990).

The capabilities-based competition paradigm proposes that it is not merely products and markets, but business processes that are the building blocks for corporate strategy (Evans, Shulman & Stalk, 1992). It is therefore the whole business value chain which brings competitive success (Hong & Ståhle, 2005). Companies should identify their key business processes, manage them centrally, and invest in them heavily, so that they may reap long-term success (Evans et al., 1992).

The competence-based strategic management paradigm emphasises that companies should continuously learn how to build and leverage new and more effective competencies (Heene & Sanchez, 1997).

Dynamic capabilities comprise the capacity of an organisation (1) to sense and shape opportunities and threats; (2) to seize opportunities; and (3) to reconfigure intangible and tangible assets (Teece, 2007). The micro-foundations of dynamic capabilities are distinct skills, processes, procedures, organisational structures, decision rules, and disciplines (Teece, 2007). Dynamic capabilities are the capabilities that organisations require to adapt to changing customer and technological opportunities; these capabilities therefore lie at the core of business success (Teece, 2007).

Absorptive capacity is the ability of an organisation to recognise the value of new, external information, assimilate it, and apply it towards business aims (Cohen & Levinthal, 1990). The absorptive capacity of an organisation depends on the absorptive capacity of its employees, but an organisation's absorptive capacity is not simply the sum of the individual absorptive capacities within the firm. It also entails exploiting the capacities, which can only occur through the interaction of the individuals within the company (Cohen & Levinthal, 1990).

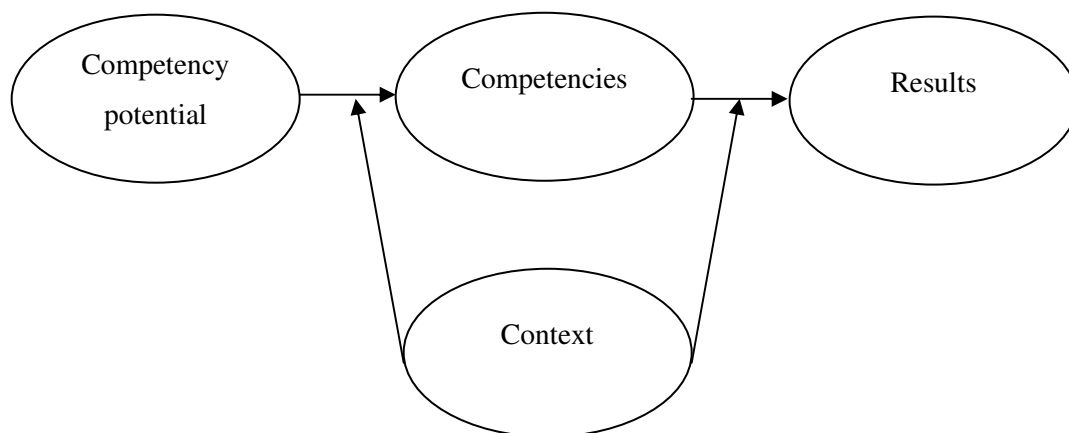
All the organisational-level concepts of competence and competency emphasise the focus on strategic organisational success. Organisation-level competencies are therefore those actions that will assist a company in having long-term success: Organisational-level competency is the extent to which companies reveal the ability to adapt and prosper amongst changing challenges and opportunities. Organisational-level competencies would then refer to organisational actions that lead to successful strategic performance.

### **2.6.3 Competency modelling**

A set of competencies, on the individual level, that is required for effective performance in a particular job is referred to as a competency model (Ash et al., 2000; Campion et al., 2011). Competency models are often used to distinguish top performers from average performers. It therefore indicates those behaviours that contribute to optimum performance and, thus, competence (Campion et al., 2011).

The SHL competency framework is a good example of a competency model which provides conceptual clarification of how competencies link to organisational outcomes.

The framework distinguishes between four variables, namely competency potential, competencies, results and context, as indicated in Figure 2.8 (Baron, Bartram, & Kurz, 2003). Competency potential comprises predispositions and attributes that are necessary to produce the desired behaviours (Baron et al., 2003). Competency potential entails motives, traits, values and cognitive abilities (Bartram, 2006). Competency potential is not always reflected in behaviours, because it is moderated by the context (Baron et al., 2003). As competencies are sets of desirable behaviours, they are behaviours that are displayed in order to achieve certain business objectives (Baron et al., 2003). Results are the business objectives or outcomes of behaviour (Baron et al., 2003). The distinction between competencies and results emphasise that particular behaviours do not necessarily lead to desired outcomes, because the external environment plays a moderating role in the relationship (Baron et al., 2003).



*Figure 2.8.* The SHL Performance@Work competency model. Adapted from “The SHL Corporate Leadership Model” by D. Bartram and I. Inceoglu, 2011, *SHL White Paper*, 2, p. 5.

Developing competency models is a deductive process; the outcomes are identified first and then the competencies that will lead to the outcomes are identified (Campion et al., 2011). Competencies therefore are linked directly to work objectives and business strategies (Ash et al., 2000; Campion et al., 2011). In competency modelling, an effort should be made to understand the organisation’s business context (Ash et al., 2000) and

those competencies that would contribute to organisational performance should therefore be identified in the process of developing a competency model. Since competency models are focused on optimum performance, they are not based on the status quo, but are future-orientated and may also incorporate those competencies that are required for future performance. (Campion et al., 2011). This future perspective of competency models creates a platform for training and development (Ash et al., 2000).

A competency model can also be developed at the organisational level. An organisational-level competency model would indicate which competencies distinguish a top performing company from an average performing company. Hamel and Prahalad (1990) referred to an organisational-level competency model as a strategic architecture. The strategic architecture is a road map that identifies which competencies the organisation aims to build at the level of the entire firm (Hamel & Prahalad, 1990). In the 1980s, the success of companies was determined by how they restructured and flattened their organisations; since the 1990s, the success of companies has been determined by their ability to identify and build core competencies (Grønhaug & Nordhaug, 1992; Hamel & Prahalad, 1990). In the ever changing market, organisations should not trust their end products or services to provide them with sustainable success. The end products or services are the outcomes of core competencies (Hamel & Prahalad, 1990). Organisational-level competencies are therefore the root of competitiveness (Hamel & Prahalad, 1990), because they indicate what the organisation should develop to gain long-term competitive advantage.

#### **2.6.4 Diversity management competency model**

The objective of the present study is to develop an organisational-level competency model for diversity management. Diversity management competencies will indicate what companies should focus on developing so that diversity management will contribute to their long-term success.

The SHL competency framework in figure 2.8 can be used to conceptualise how diversity management competency (DMC) relates to firm outcomes. On the organisational level,

competency potential may refer, amongst other, to the perspectives or beliefs held by the organisation. As previously discussed, the diversity perspective, mind-set or belief of an organisation influences the way in which diversity is managed (Ely & Thomas, 2001; Schippers & Van Knippenberg, 2007). Diversity management beliefs therefore influence DMC, and DMC will, in effect, lead to certain proximal and distal organisational-level outcomes. The belief, competency and outcome variables are moderated, however, by contextual factors such as legislative, moral, economic and competitive forces (Gonzalez, 2010). Legislative forces include labour laws such as the EE Act and the BBBEE Act, while moral forces refer to the social responsibility to support equity and social justice that is ascribed to organisations. Economic forces, again, compel organisations to develop the ability to serve an ever more diverse market and competitive forces induce organisations to manage their diverse workforce as a valuable, rare and non-imitable resource (Gonzalez, 2010). Figure 2.9 presents a conceptual framework of how diversity beliefs, diversity management competencies and outcomes relate to one another within the environmental context. The specific diversity management competencies should however still be identified.

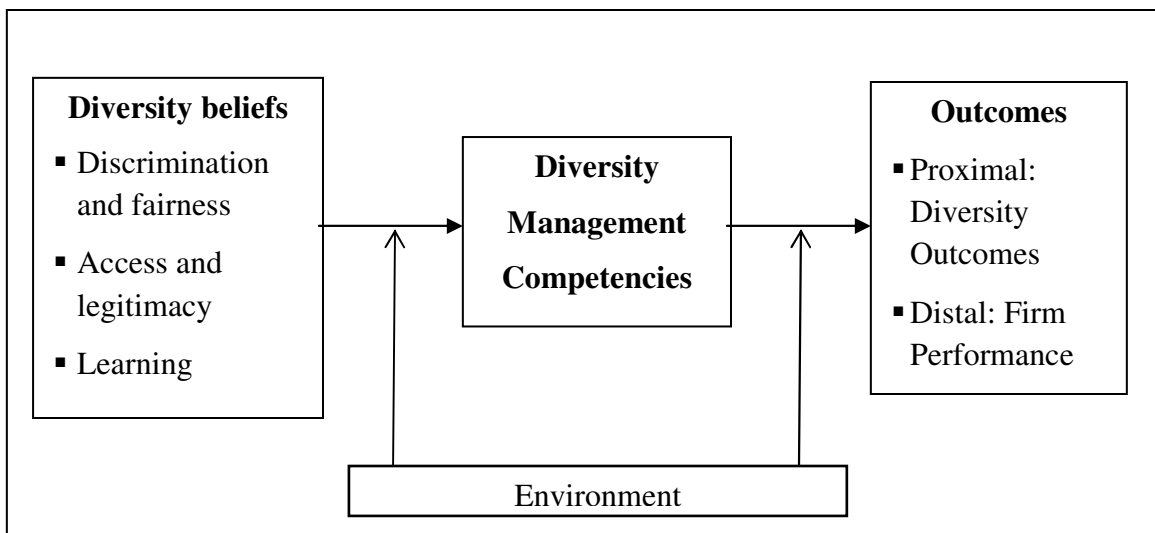


Figure 2.9. Conceptual diversity management competency framework.



## **2.6.5 Diversity management competency**

### **2.6.5.1 Cultural competency**

Some literature on diversity management competency is available and some scholars have defined diversity management competency with specific reference to cultural competency. Rice (2006) stated that, in a cross-cultural context, competence on an individual level refers to functioning effectively within that context. Acquiring competence in a cross-cultural context therefore means that new behavioural patterns should be learnt and effectively applied to appropriate settings. The focus of 'cultural competency' is to display a better understanding and sensitivity towards different cultures and cultural diversity management focuses on how this understanding and sensitivity can be utilised for a company's benefit (Rice, 2006).

On an organisational level, a culturally competent organisation can be defined as a system "that acknowledges and incorporates—at all levels—the importance of culture, assessment of cross cultural relations, vigilance toward the dynamics that result from cultural differences, expansion of cultural knowledge, and adaptation of services to meet culturally unique needs" (Rice, 2006, p. 3).

Rice (2006) stated that advancing an organisation towards cultural competence is an on-going process and requires certain activities. Firstly, the organisation should acknowledge that cultural differences are important. Secondly, leadership should reveal continuous support. Thirdly, the following attributes are required: (1) cultural appropriateness (recognising the needs of target population); (2) cultural accessibility (addressing structural barriers that impede cultural competency); and (3) cultural acceptance. Fourthly, the organisation should use the strengths and perspectives of minority cultural beliefs, habits, behaviours and value systems to establish service delivery intervention strategies and approaches. Fifthly, cultural competence should be accepted as a developmental process that requires frequent training and cultural encounters to attain cultural awareness, knowledge and skills. Finally, an organisation should think out of the box with regard to cultural competency by using untraditional and non-mainstream approaches and sources to attain cultural competency (Rice, 2006).

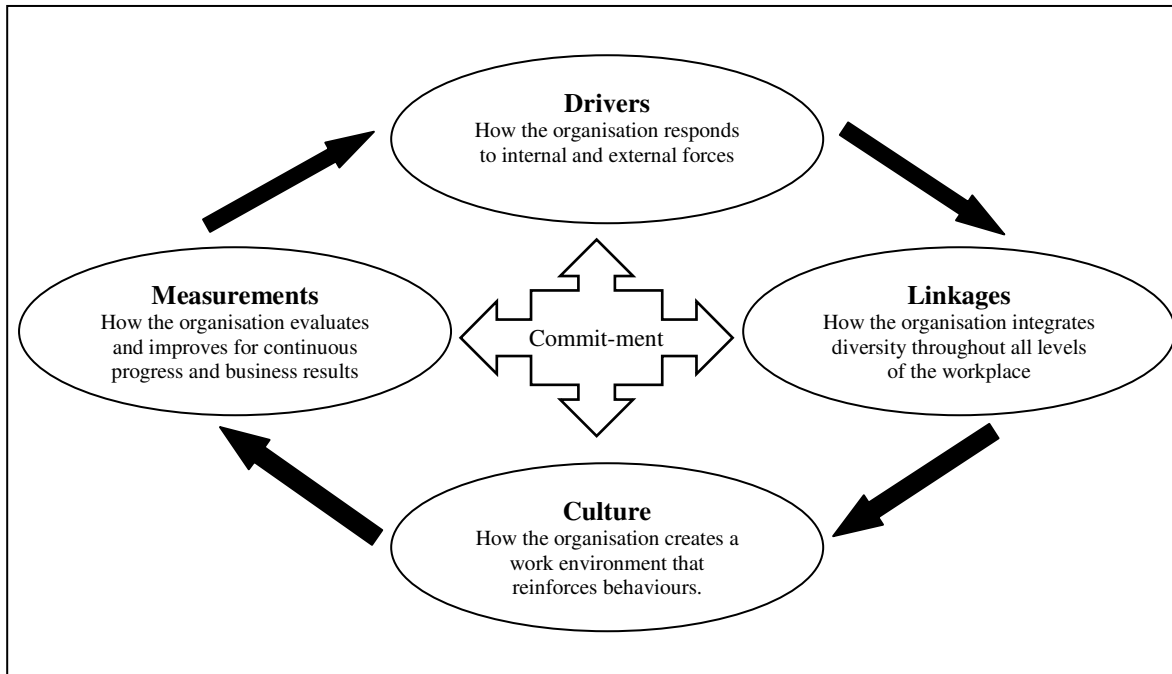
Rice (2006) specifically focuses on competence in managing *cultural* diversity. Cultural diversity, however, is only "the visible tip of the larger diversity iceberg lurking beneath the surface" (Deluca & McDowell, 1992, p. 229). Managing cultural diversity is a good starting point for managing diversity, but diversity management should not be limited to focusing on cultural differences (Deluca & McDowell, 1992). The competencies needed for managing cultural diversity may also be applicable in other categories of diversity, however. For example, the same attribute of being understanding and sensitive towards different cultures is needed for all kinds of diversity. The competency of sensitivity, for example, should not only be applied to different cultures, but all other people differences should be treated with sensitivity.

#### **2.6.5.2 Diversity competency**

There is some literature that refers specifically to diversity management competency. Beale and Cox differentiated between individual-level and organisational-level diversity management competency. They pointed out that individual-level diversity management competency is a process of learning how to change personal behaviour within the work environment so that individuals can respond effectively to the challenges and opportunities that are presented in a diverse environment (Beale & Cox, 1997). Organisational-level diversity management competency, on the other hand, entails two components: First, the majority of the employees of a company should have diversity management competency at the individual level, and second, the culture, policies and structural characteristics of the company should support learning and displaying the behaviours that will develop diversity competency (Beale & Cox, 1997).

Diversity competency is defined as "a process of learning that leads to an ability to effectively respond to challenges and opportunities posed by the presence of social-cultural diversity in a defined social system" (Beale & Cox, 1997, p. 2). Continued emphasis is placed on diversity competency being a learning process.

Campion, Frusti and Niesen (2003) conceptualised the Diversity Competency Model as illustrated in Figure 2.10. The model indicates that diversity competency has the four elements of Drivers, Linkages, Cultures, and Measurement.



*Figure 2.10. Diversity Competency Model. Adapted from “Creating a Culturally Competent Organization: Use of the Diversity Competency Model,” by J. K. Campion, D. K. Frusti and K. M. Niesen, 2003, *The Journal of Nursing Administration*, 33(1), p.32. Copyright 2003 by Lippincott Williams & Wilkins, Inc.*

Drivers are indicated by the following skills: diversity leadership, diverse customer and market focus, and diversity strategic planning. Drivers are therefore measured by determining whether executive leadership has set the organisation's diversity vision and priorities; formulated diversity values, goals, and systems; and whether the leadership guides the diversity management process (Campion et al., 2003).

Linkages are indicated by evaluating whether the organisational system supports a set of processes for meeting the institution's diversity goals. These processes should be clearly defined and communicated (Campion et al., 2003).

The competency of culture refers to whether the workforce is developed and used to its full potential to strive towards meeting the organisation's business objectives. Culture competency is indicated by four primary skills (Campion et al., 2003):

- 1) Human resource diversity planning (translates diversity requirements from strategic-and business-planning into specific human resource recruitment and retention practices);
- 2) Development of diverse work teams (focuses on job design, work structures and processes, and how the organisation enables, integrates, and supports diversity so that high performance can be achieved);
- 3) Diversity education, training, and development; and
- 4) Development of a respectful work environment.

The Measurements competency refers to the evaluation of diversity performance results. The results should be obtained from all key human resource indicators and it should encompass operational and service efficiencies (Campion et al., 2003).

Most other literature on diversity management is on the practice level. Numerous lists of best practice are provided with regard to diversity management (Beale & Cox, 1997; Billings-Harris, Buttner, & Lowe, 2006; U.S. Government Accountability Office, 2005; Human, 2005; Reichenberg, 2001; Rice, 2006). In general, HR research predominantly focuses on the practice level (Becker & Gerhart, 1996), but for HR to be generalizable, best practices should be identified on a higher level (Becker & Gerhart, 1996). HR practitioners should not be confused with lists of practices and activities, but should have a guiding framework to focus their activities.

For a diversity management framework to be useful to practitioners, the granularity of the diversity management competencies should be appropriate. Granularity refers to the number of competencies and the amount of detail concerning the competencies (Campion et al., 2011). A balance between detail and number of competencies should be achieved. Although detail creates more precision in what each competency entails, parsimonious competencies are more easily remembered and thus implemented by organisational members. In limiting the number of competencies, the most important competencies to achieve superior performance are usually chosen, but the ideal number of competencies depends on the purpose and scope of the model. Campion et al. (2011) suggested that the number of competencies should be around twelve, and that competencies can be divided

into categories and subcategories to further facilitate easy use of the competency model (Campion et al., 2011).

Table 2.3 provides a synthesis of the current literature on diversity management. Category labels and their definitions are proposed to formulate preliminary diversity management competencies. These preliminary diversity management competencies were formulated by extracting themes from diversity management literature.

Table 2.3

*Preliminary diversity management competencies supported by literature*

Competency	Description
1. Communicates commitment to diversity	The organisation has explicitly communicated the value it attaches, as well as its commitment, to diversity by means of statements of mission, values, or vision, or through public announcements, promotional materials or memos.
2. Strategic planning for diversity management	Managing diversity is integrated into the organisation's strategic planning process. A formal written plan is drafted to reach the identified strategic diversity goals for the organisation.
3. Integration of diversity management into HR functions	HR functions, including recruitment, selection, induction, performance review, development, retention and succession, are all adjusted to facilitate the attainment of diversity management goals.
4. Measurement of diversity goals/initiatives	A formal system and measurable criteria are used to evaluate progress and success in managing diversity. Methods of gathering diversity management performance data, such as metrics, surveys, focus groups, customer surveys, management and employee evaluation, and training and education evaluations, are used
5. Diversity management accountability	The strategic diversity management goals of the organisation are translated into specific diversity management goals for each department. Managers are held accountable for achieving their department's diversity management goals.
6. Acquiring or maintaining representation of diverse individuals	The demographics of the organisation are representative of the community's demographics on every level. If the demographics of the organisation are not representative, goals and plans are in place to reach representation.
7. Diversity and diversity management education, training and development	Diversity training is provided throughout the workforce. Diversity is incorporated into mentoring efforts, leadership training and management-by-results programs.
8. Established diversity management architecture	A standing committee (task force or action council) is responsible for establishing policies, providing technical assistance, reviewing/approving plans, and monitoring progress toward the achievement of diversity management goals.

## 2.7 SUMMARY

This chapter has presented a review of the concept of diversity, diversity management and diversity management practices and competencies. The review revealed the scarcity of evidence-based research on diversity management. The existing literature on diversity management is mostly theoretical in nature and consensus is not evident with regard to the most essential elements of diversity management. There is an even greater scarcity of South African research on diversity management. Since the South African context carries its own unique demographical diversity and historical consequences, it is doubtful that diversity management literature and models developed in Western countries could simply be transferred to the South African context. The literature review therefore highlighted the need for a guiding framework applicable to the South African context. Preliminary diversity management competencies based on the reviewed literature were formulated, however. These preliminary competencies provide initial guidance with regard to the process of developing diversity management competencies (DMCs).

The following chapter investigates the possible proximal and distal outcomes that DMC is expected to affect. As the reviewed diversity models proposed various proximal and distal outcomes of diversity management, these outcomes will be further explored in Chapter 3.

## **CHAPTER 3: DIVERSITY MANAGEMENT COMPETENCY (DMC) AND ORGANISATIONAL OUTCOMES**

### **3.1 INTRODUCTION**

Diversity within the South African work environment was discussed in Chapter 2 and preliminary diversity management competencies (DMCs) were identified from literature. Chapter 3 presents a discussion of the proposed outcomes of DMC which encompass intermediate and distal outcomes. The distal outcome of firm performance is discussed first, followed by other intermediate outcomes of DMC which were identified from the literature. Hypotheses that were developed will indicate how the outcomes relate to DMC. This chapter concludes with the proposed model which graphically portrays the hypotheses which were assessed in this study.

There is increasing pressure on companies world-wide to manage the diverse workforce. In the South Africa context, labour legislation such as the Employment Equity Act (EEA) and the Broad-based Black Economic Empowerment Act (BBBEE), and structures such as the Commission for Employment Equity (CEE), have been established to quicken the pace of transformation of the workforce. According to the latest report of the CEE (2012), however, the workforce has still not been transformed at the higher positional levels. This slow transformation may be partly because of a lack of motivation or because companies do not know what results may be expected from transforming the workforce and how it will affect the bottom line. Companies and academia furthermore do not yet know *how* diversity and DMC affect distal organisational outcomes through intermediate diversity-related outcomes. Thus, the elusive “black box” (Lawrence, 1997) between diversity and firm performance is still not uncovered.

In this chapter the manner in which DMC may influence firm performance through intermediate diversity-related outcomes is explored.



## 3.2 FIRM PERFORMANCE

### 3.2.1 The business case for diversity

The business case for diversity is an argument that links investment in diversity initiatives to firm productivity and performance (Litvin, 2006). This argument originated in the late 1980s and has been debated ever since (Barnett, Chadwick, Dwyer & Richard, 2004; Bezrukova et al., 2002; Blake & Cox, 1991; Ford, Ismail & Richard, 2006; Martins & Milliken, 1996).

Johnston and Packer's book, *Workforce 2000: Work and Workers for the 21<sup>st</sup> Century* (as cited in Litvin, 2006), instigated the business case for diversity argument in the United States of America (USA). Johnston and Packer (as cited in Litvin, 2006) predicted that dramatic changes in the demographics of the workforce will occur. This warning of the coming workforce diversity implied a threat to USA businesses (Litvin, 2006). Organisations realised that they would only survive in the highly competitive marketplace if they responded effectively to the increasingly heterogeneous workforce (Kumra et al., 2007).

The business case then evolved to perceiving diversity management as a business imperative (Litvin, 2006). The diverse workforce therefore was not only to be managed to decrease the threats and challenges that diversity proposed, but companies also were to capitalise on their diverse workforce (Cox, 2001; Litvin, 2006). The expanded business case for diversity proposes that effective diversity management may improve firm performance by (1) better problem-solving; (2) increasing creativity and innovation; (3) increasing organisational flexibility; (4) improving the quality of personnel through better recruitment and retention; and (5) improving marketing strategies (Blake & Cox, 1991; Cox, 2001).

The proposed benefits that effectively managed diversity would create are not consistently supported by empirical studies, however (Litvin, 2006). Inconclusive results led to some scholars proposing that the business case should be modified, and Bezrukova and colleagues (2002, p. 31) proposed that the business case be reframed as follows:

Diversity is a reality in labor markets and customer markets today. To be successful in working with and gaining value from this diversity requires a sustained, systemic approach and long-term commitment. Success is facilitated by a perspective that considers diversity to be an opportunity for everyone in an organization to learn from each other how better to accomplish their work and an occasion that requires a supportive and cooperative organizational culture as well as group leadership and process skills that can facilitate effective group functioning. Organizations that invest their resources in taking advantage of the opportunities that diversity offers should outperform those that fail to make such investments.

The effect of diversity would therefore only be experienced over the long term if it is effectively and systematically managed through a holistic approach.

Some scholars propose, however, that financial performance should not be considered at all when implementing diversity initiatives (Litvin, 2006), making the business case for diversity irrelevant. Rodrigues (as cited in Litvin, 2006) proposed that diversity in the workforce should not be a concern of benefits and costs. The purpose of organisations should be altogether reconceptualised; it should be to enhance human well-being (Litvin, 2006). Employees should not be the means to the financial ends of an organisation, but organisations should rather be the means to serving the needs of society (Litvin, 2006).

Financial gain and serving the needs of society should, however, not be seen as mutually exclusive aims. Organisations do exist to serve society by effectively and efficiently producing need-satisfying products and services. Profit is a barometer of the efficiency with which organizations serve society. Organisations obtain the right to use society's scarce resources with the provision that it serves society *and* that it uses its resources responsibly. Adverse impact or under employment constitutes irresponsible use of society's human talent. When rectifying this the need still exist to serve society by producing products/services society needs without wasting resources, i.e. profitability.

In spite of the debate whether financial results should be considered when implementing diversity initiatives, companies increasingly realise the limitation of financial measures and its inappropriateness for the modern business enterprise (Colakoglu, Lepak, & Ying, 2006; Hubbard, 2004). Organisations are not accountable solely to shareholders, but should account to customers and employees who constitute the larger community (Rogers & Wright, 1998). Organisational initiatives should therefore not solely satisfy the needs of shareholders, but should also contribute to the needs of customers, as well as employees. Hubbard (2004) developed the diversity scorecard concept which takes into consideration the various stakeholders of a company. A diversity scorecard is "a balanced, carefully selected set of objectives and measures derived from an organization's strategy that link to the diversity strategy" (Hubbard, 2004, p. 132). The diversity scorecard emphasises that financial performance is only one aspect of the desired outcomes of diversity initiatives.

The reality, however, is that the current business world still seeks financial justification for every initiative that is employed within organisations. The language that is still used within companies is the language of numbers (Hubbard, 2004). For line managers to take human resource management seriously, or more specifically diversity management, the impact of human resource interventions should be communicated in financial terms (Hubbard, 2004). The need for the business case is therefore still relevant and will always be relevant.

### **3.2.2 Theory of the firm**

To develop a better understanding of how diversity management may relate to firm performance, the construct of firm performance should be thoroughly understood. The term 'firm performance', like the term 'diversity', is widely used, but not universally understood in the same way (Wheeler, 2003). The concept of firm performance is determined by how the purpose of a firm is understood. Perspectives on the purpose of a firm should therefore be explored. One of the most influential theories on the purpose of a firm, is that of Coase (1993). His article changed the way people think about organisations (Williamson, 1993). Coase argued that firms exist because some internal

transaction costs of a firm are less costly than those transaction costs would be outside the firm (Rosen, 1993). Coase's work prompted numerous other scholars to search for an appropriate theory of the firm (Garrouste & Saussier, 2005).

The theory of the firm which is most often used in the field of Strategic Human Resource Management (SHRM) is the resource-based view (RBV) (Dunford, Snell, & Wright, 2006). The RBV emphasises that the firm's internal resources are sources of competitive advantage (Dunford et al., 2006). These internal resources refer to tangible and intangible assets, which include organisational processes and routines, management skills and the knowledge and information that an organisation controls (Barney, Ketchen, & Wright, 2001). For these resources to be a source of sustainable competitive advantage, they should be rare, valuable, imperfectly imitable, and not substitutable (Barney et al., 2001). Sustainable competitive advantage is defined as follows (Barney, 1991, p. 102):

A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

Sustainable competitive advantage implies that, within a competitive market, firms will only perform if they have resources that are rare, valuable, imperfectly imitable, and not substitutable. From the sustainable competitive advantage paradigm, firm performance should be viewed in relation to a company's competitors.

### **3.2.3 Evolution of firm performance measurement**

Diverse perspectives on firm performance will logically lead to diverse measurement approaches to firm performance. The measurement of firm performance is not a new issue, however, but approaches to measuring firm performance have evolved over the decades. The modern accounting framework, which is based on financial indicators, has been used to assess performance since the Middle Ages (Kennerley & Neely, 2003). Financial indicators have been used predominantly since that time to indicate performance (Kennerley & Neely, 2003). In the 1980s, however, it was realised that

traditional methods of reporting performance were becoming inadequate for managing companies in the modern market. Traditional financial accounting systems indicate the result of an organisation's activities, and are therefore historic in nature (Kennerley & Neely, 2003). They are usually inadequate in providing early signals of customer, quality and workforce problems (Hubbard, 2004). Additionally, they provide little information about how performance is achieved and how it can be improved (Kennerley & Neely, 2003). Other shortcomings of traditional financial performance measures are that they give little indication of future performance; they encourage short-term focus; they are internally, rather than externally, focused; they do not have a strategic focus; and they inhibit innovation (Kennerley & Neely, 2003). These shortcomings make traditional financial measures inappropriate in the increasingly changing and competitive market (Kennerley & Neely, 2003).

Capital market measures are preferable to contemporary accounting-based measures of profit when measuring performance on the organisational level (Becker & Gerhart, 1996). An organisation that, for example, focuses on growth at the expense of current profits will most probably have very different accounting measures from those of a high-profit organisation in an established industry (Becker & Gerhart, 1996). The two companies could be evaluated on a more equal level if the present values of their future cash flows were compared (Becker & Gerhart, 1996). The ultimate goal of almost all organisations is to have long-term sustainability (Boon, Boselie, & Dietz, 2005; Spangenberg & Theron, 2004). Measures that indicate an organisation's long-term survival, such as market standing, should therefore be used to compare organisations.

While financial and market performance are critical for an organisation's success, these indicators may be too narrow as measurements of performance within the current world of work (Colakoglu et al., 2006). Firm performance is a complex and multidimensional phenomenon (Dess & Robinsen, 1984). To overcome the shortcomings of traditional financial measures, companies are increasingly using the balanced scorecard (Kaplan & Norton, 1992) to measure performance (Kennerley & Neely, 2003). Constructing a balanced scorecard involves identifying three to four major stakeholder groups, usually customers, employees and shareholders, and then developing objective indicators of

performance for each group (Rogers & Wright, 1998). Firm performance is therefore measured from different perspectives. The rationale of the balanced scorecard is that various stakeholders have an interest in the performance of organisations and are able to exert distinct pressure on organisations (Colakoglu et al., 2006). Performance should therefore also be viewed from the perspectives of the multiple stakeholders (Colakoglu et al., 2006). Additionally, the balanced scorecard is able to align personal and departmental goals to the overall business strategy (Nørreklit, 2000) and therefore also reveals how HR influences firm performance (Rogers & Wright, 1998).

Although the balanced scorecard provides a more holistic overview of an organisation's performance, it is based on each company's specific business strategy (Kaplan & Norton, 1992). Therefore, the balanced scorecards of various companies cannot be compared with each other. The purpose of the balanced scorecard is to assist a company in its internal management; it does not have the purpose of benchmarking a company's performance against other companies.

In accordance with most economic theories, it is clear that the current trend towards performance measurement is to use both financial and non-financial measures (Spangenberg & Theron, 2004). Although non-financial measures give a better indication of future performance, it may contain measurement error (Delaney & Huselid, 1996). Financial measures are therefore valuable in bringing objectivity to performance measures. Financial indicators are also necessary to reveal whether improvements in a business facet actually lead to improved financial performance and wealth creation (Hubbard, 2004).

### **3.2.2 Measuring firm performance with subjective measures**

A non-financial measurement tool for unit performance called the Performance Index (PI) was developed by Spangenberg and Theron (2004). The need to develop the PI arose from the fact that there was no appropriate measure of unit performance that included all unit performance dimensions for which the unit leader could be held accountable. The PI was developed from a comprehensive model of work unit performance effectiveness that

was based on literature targeting financial and non-financial performance measures of organisational effectiveness. The PI consists out of the following dimensions, as defined in Table 3.1: (1) productivity and efficiency, (2) core people processes, (3) work unit climate, (4) employee satisfaction, (5) adaptability, (6) capacity, (7) market standing, and (8) projected future growth (Spangenberg & Theron, 2004).

Table 3.1.

*Description of PI Subscales*

<b>Subscale</b>	<b>Description</b>
1. Productivity and Efficiency	Include quantitative outputs such as meeting goals, quantity, quality and cost-effectiveness, and task performance.
2. Core people processes	Reflect organisational effectiveness criteria such as goals and work plans, communication, organisational interaction, conflict management, productive clashing of ideas, integrity and uniqueness of the individual or group, learning through feedback and rewarding performance
3. Work unit climate	Refers to the psychological environment of the unit, and gives an overall assessment of the integration, commitment and cohesion of the unit. It includes working atmosphere, teamwork, work group cohesion, agreement on core values and consensus regarding the vision, achievement-related attitudes and behaviours, and commitment to the unit.
4. Employee satisfaction	Involves the individual's satisfaction with the task and work context, empowerment and career progress, as well as with outcomes of leadership, for example, trust in and respect for the leader and acceptance of the leader's influence.
5. Adaptability	Reflects the flexibility of the unit's management and administrative systems, core processes and structures, capability to develop new products/services and versatility of staff and technology. It reflects the capacity of the unit to respond appropriately and expeditiously to change.
6. Capacity	Reflects the internal strength of the unit, including financial resources, profits and investment, physical assets and materials supply and quality and diversity of staff.
7. Market standing	Includes market share (if applicable), competitiveness and market-directed diversity of products or services, customer satisfaction and reputation for adding value to the organisation.
8. Projected future growth	Serves as an overall index of projected future performance and includes profits and market share (if applicable), capital investment, staff levels and expansion of the unit.

*Note.* Adapted from "Development of a Questionnaire for Assessing Work Unit Performance" by H. H. Spangenberg & C. Theron, 2004, *South African Journal of Industrial Psychology*, 30(1), p. 23.



These dimensions provide a comprehensive understanding of what constitutes firm performance. From the above, it is clear that various factors constitute firm performance—productivity and efficiency, adaptability, capacity, market standing, and projected future growth. Productivity and efficiency are indicators of short-term performance, adaptability and capacity are indicators of medium-term performance, while market standing and projected future growth are indicators of long-term performance (Spangenberg & Theron, 2004). It is important to look at firm performance from the perspective of different time periods to get a more comprehensive view of a firm's performance.

Since it is best practice to use both non-financial and financial performance measures (Spangenberg & Theron, 2004), data obtained from a firm's financial statements can be used in conjunction with the non-financial indicators.

### **3.2.3 Measuring firm performance with financial measures**

The financial statements of companies contain a large amount of financial information. It is critical to know on which information to focus to determine the performance of a company and what constitutes financial sustainability. Financial sustainability is essential for companies (Firer, Ford, & Hartley, 2006).

Financial sustainability has two aspects: (1) profit should be made in the long term, and (2) cash flow should be generated so that the company remains solvent over the short term (Firer et al., 2006). Cash flow thus is necessary for a company to prevent bankruptcy. Both profit and cash flow are necessary, but these indicate different things. Furthermore, it should be made clear that, while cash flow is a fact, profit is an opinion (Firer et al., 2006). Profit is a relatively complex concept which is based on the application of accepted accounting rules and there is sizeable scope for opinion in the application of the accounting rules (Firer et al., 2006). Cash flow, on the other hand, is neither a concept nor complex (Firer et al., 2006), but the simple in and out flow of cash in an organisation. When evaluating the financial sustainability of a company, it therefore is necessary to consider both long-term profit indicators and short-term cash flow.

Certain aspects should be considered when evaluating a company's financial health over the short and long term. First, the operating efficiency should be considered. Operating efficiency refers to how efficient the business is being run by its operating managers. It has three aspects, namely (1) operating profitability, (2) asset productivity, or efficient use of resources, and (3) cash flow. A ratio that is a good indicator of operating profitability is operating profit to net operating assets. This ratio is referred to as return on investment (ROI), return on capital employment (ROC), or return on net operating assets (RONA).

A second aspect to consider when evaluating financial health is liquidity (Firer et al., 2006). The liquidity ratio compares the current liabilities with the company's current assets. It therefore indicates whether the company can pay its short-term obligations (Erasmus & Van den Berg, 2007).

Third, the financial structure should be assessed to determine whether the split of financing between shareholders and borrowing is sensible and safe. This is also referred to as the capital gearing of the company, which is indicated by comparing the debt with the equity of the company. The debt-equity ratio indicates whether a company, after it ends its operations, can still pay all its obligations (Erasmus & Van den Berg, 2007). Capital gearing is important to shareholders, because, if money can be borrowed at a cost of interest lower than the RONA which can be earned by investing that money in net operating assets, the shareholder will benefit from the excess of RONA over the cost of interest (Firer et al., 2006).

Fourth, it should be considered whether the shareholders are satisfied (Firer et al., 2006). Shareholder satisfaction is determined by (1) shareholder profitability, (2) dividend value, and (3) share value. Shareholder profitability can be indicated by return of equity after tax (ROE) and Earnings per Share (EPS). ROE refers to the profit attributable expressed as a percentage of equity interest and EPS is the profit attributable divided by the number of ordinary shares.

The formulae of the performance indicators are presented in Table 3.2.

Table 3.2

*Financial performance ratios*

<b>Financial indicator</b>	<b>Formula</b>
ROI	(Operating profit + gain on investment) / average total assets
Liquidity	Current liabilities / current assets
Debt-Equity	Total debt / Total assets
EPS	(Net income - dividends on preferred stock) / average outstanding shares

In the field of SHRM, organisational performance has mainly been measured through financial- or market-based indicators (Colakoglu et al., 2006). Rogers and Wright's (1998) study investigated which measures are used to measure the impact that HR practices have on performance. The measures were categorised as follows: human resource, organisational, financial, and market measures (Rogers & Wright, 1998). The study revealed that the human resource measure of employee turnover is used; the organisational measures of productivity, quality, customer satisfaction and manufacturing flexibility are used; the financial accounting measures of return on assets (ROA), return on equity (ROE), profits, sales and employee value are used; and the market measures of stock price and Tobin's Q are used (Rogers & Wright, 1998). Tobin's Q "is the present value of future cash flows divided by the replacement cost of tangible assets" (Lang & Stulz, 1994, p.1249).

The problem, however, with measuring the relationship between performance and HRM interventions is that the effect of an HRM intervention is often only completely realised after several years (Boon et al., 2005; Boudreau & Cascio, 2011). Additionally, performance often decreases immediately after an intervention is initiated, because an organisation has to adapt to the change (Boon et al., 2005). Performance should therefore be measured an extended time after the HRM intervention has been established. The relationship between the variables of performance and HRM interventions should be relatively stable, however (Boudreau & Cascio, 2011). A variable which is not stable

over time cannot be predicted reliably by another variable (Boudreau & Cascio, 2011). Even if, for instance, performance is measured an extended time after an HRM intervention is implemented, that performance measure should be relatively stable in the period when it is measured. Since both attitude measures and organisational performance measures may vary in their stability over an extended period of time, it is preferable to collect data of attitudes and performance at various time periods and then select the measures which were the most stable over a certain period (Boudreau & Cascio, 2011).

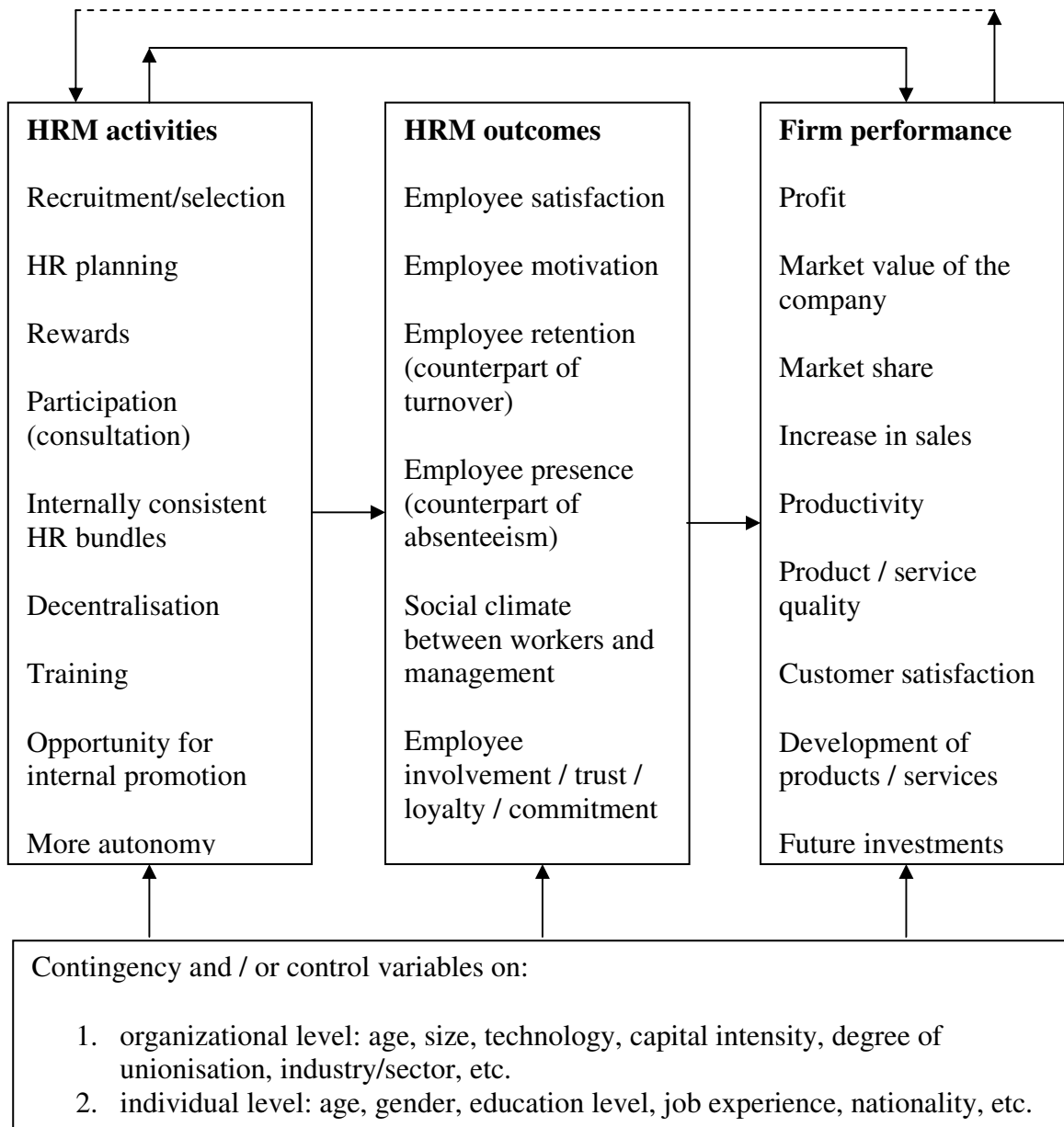
The financial indicators of return on investment (ROI), return on equity (ROE), return of assets (ROA), and earnings per share (EPS) are significantly correlated with each other over time (Boudreau & Cascio, 2011), indicating stable financial indicators. Whereas ROI measures the return on equity (assets less debt) of a company, ROA measures a company's ability to use its assets to generate a net profit. ROA a good measure for capital intensive companies from industries such as manufacturing and retail, but it is not such a good performance measure for companies with a low capital base, such as service industry companies. It was found that ROA is the most stable and ROI is the least stable over time for indicators of financial performance (Boudreau & Cascio, 2011). However, considering that ROA is more applicable to capital intensive industries, ROI is better as a performance measure when comparing companies across different kinds of industries.

Concerns exist around using financial performance as a measure of HRM effectiveness (Boon et al., 2005). Scepticism is centred on whether the impact of HRM can be isolated from all other determining influences of financial success (Boon et al., 2005). If more distal indicators of performance are used, factors other than HRM influences which may influence the measure should therefore be controlled (Becker & Gerhart, 1996). These factors usually include industry, size of the organisation, business strategy, capital structure, quality of management and areas other than HR, such as finance and marketing (Becker & Gerhart, 1996). Additionally, it is preferable to use more proximal outcome measures such as productivity and quality (Boon et al., 2005). These measures can bridge the gap between the impact of HRM and financial performance (Boon et al., 2005).

Similarly to the HRM and firm performance relationship, caution should also be taken to relate diversity management directly to firm performance. Intermediate outcomes for the relationship between diversity management and firm performance should also be found which better explains the relationship. The aim of the subsequent section of the present study is to bring clarity to the “black box” between diversity management and firm performance.

### **3.3 DIVERSITY MANAGEMENT OUTCOMES**

The review of the conceptual models of diversity within organisations in Chapter 2 has revealed numerous intermediate outcomes of the diversity management-performance relationship (see Chanda et al., 2009; Cox, 1994; Gilbert et al., 1999; Maak & Pless, 2004; Kochan, McMillan-Capehart, & Richard, 2002; Milliken & Martins, 1996). All the models recognise an affective component as a significant intermediate outcome. Diversity management may therefore influence the way employees feel about their work environment, which again influences how they collectively perform in the organisation. This affective intermediate outcome corresponds with empirical findings on the intermediate outcomes of human resource management (HRM) practices and firm performance (Farndale & Paauwe, 2006). Figure 3.1 summarises the findings of empirical studies on the relationship between HRM practices, HRM outcomes and firm performance. The model indicates that the HRM intermediate outcomes are affective outcomes of employees such as satisfaction and social climate.



*Figure 3.1* Linkage between HRM activities, outcomes and firm performance. Adapted from “International Human Resource Management and Firm Performance”, by E. Farndale and J. Paauwe, 2006, in I. Björkman & G. K. Stahl (Eds.), *Handbook of research in international human resource management*, p. 98. Cheltenham: Edward Elgar.

However, the intermediate outcomes in Figure 3.1 are specific to the relationship between HRM activities and firm performance and does not relate to the relationship between

diversity management and firm performance. Affective intermediate outcomes that are more specific to diversity management should therefore be identified. Affective outcomes of diversity management can also be referred to as diversity issues. The major diversity issues that result from diversity management were investigated by Kirby and Richard (2000). In their study, Kirby and Richard asked employees ( $N = 269$ ) from different companies that had implemented diversity management, what major diversity-related issues they had experienced. The three general issues that arose were balancing power, inclusion and opportunity (Kirby & Richard, 2000). Balancing power refers to the distribution of identity groups in upper management levels, as well as the difference in influential power of identity groups. Inclusion refers to respect and acceptance of differences, integration within the workplace, harassment and unsuccessful recruitment of certain identity groups. Opportunity refers to recognition of contribution, the representativeness of a qualified applicant pool, unsuccessful training of unrepresented groups and reverse discrimination to previously advantaged groups.

Although Kirby and Richard's (2000) study was a single study only, the diversity management outcomes (DMO) that they identified are also prevalent within the existing diversity management models which were reviewed in Chapter 2. First, the models revealed the importance of integration and the perception of acceptance and respect. Second, some models revealed the importance of promotion and breaking the glass ceiling, which relates to perceptions of opportunities. Last, Ely and Thomas (2001) specifically emphasised the element of perceived power distribution. The three DMOs that are selected in the present study therefore are an inclusive climate, perceived advancement opportunities and perceived power distribution.

### **3.3.1 Inclusive climate**

Many of the conceptual models of workplace diversity seem to emphasise the importance of the climate of an organisation. The term *climate* refers to the attitudes, feelings, and social processes that occur among groups (Lewin, Lippitt, & White, 1939). The difference between individual-level, also called psychological climate, and organisational-level climate should be clarified. Whereas psychological climate is the

perception by people of what is happening in their immediate work environment while they are making sense of their environments (Bowen & Ostroff, 2004), organisational climate is defined as follows: “Organizational climate is the shared perception of what the organization is like in terms of practices, policies, procedures, routines, and rewards—what is important and what behaviors are expected and rewarded” (Bowen & Ostroff, 2004, p. 205).

Climate on the organisational level therefore is the perceptual experience of individuals. It refers to how the setting can be described, whereas the things that happen to and around people are the stimuli that create the climate (Schneider, 2000). The climate of an organisation can, for example, be described by employees as innovative, service-orientated or employee-centred (Schneider, 2000).

The concept of organisational climate is used most often, while the concept of psychological climate has received hardly any research attention (Bowen, Ehrhart, Holcombe, & Schneider, 2000). The research conducted on organisational climate has two major strengths, namely (a) the strategic focus on identifiable organisational imperatives, such as safety or service, and (b) the measurement and statistical documentation of the extent to which climate is shared by employees (Schneider, 2000). The strategic focus of climate emphasises that a climate exists *for something specific*, such as for safety or innovation (Schneider, 2000).

The focus of the present study is on organisational climate, with a specific strategic focus on a climate of inclusion. The meaning of inclusion in organisations was investigated by Roberson (2006) through survey responses from HR or diversity officers. One of the research participants defined inclusion as “recognizing, understanding and respecting all the ways we differ, and leveraging those differences for competitive business advantage” (Roberson, 2006, p. 220). The definitions of inclusion within the study revealed that inclusion entails employee involvement and the integration of diversity into organisational processes and systems (Roberson, 2006).



The collective experience of inclusion is “the overall or additive sense of the extent to which people in a group feel accepted, engaged, safe, and valued” (Avigdor, Braun, Ferdman, Konkin, & Kuzmycz, 2007, p. 8). This definition firstly emphasises that an inclusive climate entails a sense of acceptance. A climate of inclusion refers to an environment in which “an employee is accepted and treated as an insider by others in the work system” (Ledford, Mohrman, & Pelled, 1999, p. 1014). Secondly, an inclusive climate entails a perception of a safe environment, also referred to as psychological safety, with psychological safety denoting a climate in which team members feel safe to take interpersonal risks (Edmondson, 1999). Team members therefore believe that they will not be embarrassed, rejected or punished if they talk about sensitive topics or speak what they truly think, but are encouraged to raise different opinions (Maak & Pless, 2004). Team psychological safety does not translate into team cohesiveness which may reduce team members' willingness to disagree and to challenge each other's views (Edmondson, 1999). Team psychological safety is therefore not a climate in which any viewpoint is agreed upon, but rather a climate where all members are respected and people feel comfortable to be themselves (Edmondson, 1999; Maak & Pless, 2004). Thirdly, an inclusive climate entails the belief that all employees are valued. A climate of inclusion exists when “different voices are respected and heard, diverse viewpoints, perspectives and approaches are valued and everyone is encouraged to make a unique and meaningful contribution” (Maak & Pless, 2004, pp. 130-131). An inclusive climate creates a sense within employees that the perspectives, opinions and skills of all different individuals and identity groups are being utilised (Miller, 1998).

An inclusive climate thus is:

An environment where employees are respected, accepted, and treated as insiders of the organisation. The employees feel that their unique viewpoints, perspectives and approaches are valued, and that they can therefore be themselves.

### 3.3.4 Measuring inclusive climate

The construct of inclusive climate had to be measured for the purposes of the present study. It was necessary to bear in mind that measuring organisational climate could entail numerous pitfalls (Glick, 1985). Firstly, confusion with the unit of analysis could occur. The unit for analysis for organisational climate should be the organisation and not the individuals within the organisation, as organisational climate is not the aggregation of the psychological climate of every employee. Aggregating the psychological climate of individuals would mean that the unit of analysis becomes the individual. Glick (1985, p. 603) stated that "the organisational climate is the result of sociological / organisational processes. Thus it should be conceptualised as an organisational phenomenon, not as a simple aggregation of psychological climate". Secondly, it is important that the questions in an instrument that measures organisational climate should be descriptive of nature and not affective. The question should refer to the organisation as whole and not individual experiences. For example, an organisation's support for innovation might be determined by the following question: "*This organisation encourages employees to try new work methods,*" as opposed to a psychological support statement, "*I am encouraged to try new work methods.*" (Glick, 1985, p. 608). Lastly, when perceptual measures are used to measure organisational climate, some informant characteristics may be sources of bias. Typical sources of bias are hierarchical position, line versus staff position, and the task orientation of informants. To counteract these sources of bias, the same type of informants should be chosen in each sampled organisation (Glick, 1985).

Additional to the potential pitfalls that accompany climate measurement, the development and validation of diversity climate measures are in its initial stages of research (Chrobot-Mason, Konrad & Linnehan, 2006). Chrobot-Mason et al. (2006) could not identify any published diversity climate measure that was grounded in theory, had reasonable evidence for strong reliability and validity for various types of samples, and which could be used in multiple organisational settings. They warned that available diversity climate measures should be used with caution (Chrobot-Mason et al., 2006). Three of the few measures of diversity climate that are specifically related to an inclusive climate (i.e.

Avery et al., 2007; Avery, McKay, & Morris, 2008; Herdman & McMillan-Capehart, 2010) are therefore examined.

Avery et al. (2007) developed nine items that measure diversity climate perceptions. The items are as follows (Avery et al., 2007, p. 61):

1. Recruit from diverse sources.
2. Offer equal access to training.
3. Open communication on diversity.
4. Publicise diversity principles.
5. Offer training to manage diverse population.
6. Respect perspectives of people like me.
7. Maintains diversity-friendly work environment.
8. Workgroup has climate that values diverse perspective.
9. Top leaders visibly committed to diversity.

A five-point Likert scale, ranging from 1 = *well below expectations* to 5 = *well above expectations*, is used to score the items. A high score on the scale therefore indicates that the organisation's climate is supportive of diversity. The scale has a Cronbach alpha of .91 which indicates high reliability (Avery et al., 2007). Although the scale is reliable, it was possible that it would not be a valid measure for the present study. The scale is focused on certain actions that an organisation reveals and is therefore not an intermediate outcome measure of DMC, but rather examples of DMC itself. This scale was therefore not relevant for the purposes of measuring inclusive climate within the present study.

Avery et al. (2008) used four items to measure diversity climate within their study. Their scale contains the item of "I trust the company to treat me fairly", as well as three items of Avery et al.'s (2007) scale, namely: "the company maintains a diversity friendly work environment", "the company respects the views of people like me", and "top leaders

demonstrate a visible commitment to diversity”. Avery et al.’s (2008) four-item scale revealed acceptable internal consistency reliability ( $\alpha = .80$ ) and principle components factor analysis of the items indicated only a single factor with an Eigen-value bigger than one (2.54), which accounted for 63.43% of factorial variance. As with the Avery et al. (2007) scale, this scale also was not valid for the present study, since some of the items reveal a focus on company actions.

Herdman and McMillan-Capehart (2010) developed a three-item scale which measures overall perceptions of a diversity climate within an organisation. The items are “the [company] values differences in its employees”, “I believe this [company] strives to have a very diverse workforce”, and “the [company] makes sure the opinions and input of employees from different backgrounds are heard”. This scale has a reliability of  $\alpha = .76$  (Herdman & McMillan-Capehart, 2010). The items of this scale seem to be appropriate for the *inclusive climate* construct, but the reliability of the scale was insufficient for use in different circumstances such as the present study.

Through the examination of the possible measures that could be used to measure the construct of inclusive climate, it was found that there was no measure that was appropriate for the present study. As it is important to use a measure that specifically measures the defined construct (Glick, 1985), a measure therefore had to be developed for the present study on the basis of the literature, and a synthesis and adjustment of items of other diversity climate measures which would constitutively measure a climate of inclusion.

### **3.3.5 Perceived advancement opportunities**

Promotion / horizontal mobility rates were identified in Cox’s (1994) model as one of the mediating factors of the diversity-organisational effectiveness relationship. A similar construct, penetration of the glass ceiling, was portrayed in Gilbert et al.’s (1999) model as one of the outcomes of diversity management. Additionally, best practice organisations within the field of diversity management, have been defined as having employees that believe that they can progress if they are motivated, qualified and work hard

(Reichenberg, 2001). Perceived advancement opportunities are therefore an important outcome of diversity management in that this refers to the extent that employees believe that they have an opportunity to be promoted in the company. This therefore also involves the extent to which employees see a future for themselves in the company.

Perceived advancement opportunities therefore comprise:

The extent that employees believe that every employee is able to progress if he/she works hard, is motivated, and has the appropriate qualification, and the extent to which he/she believes that the organisation provides sufficient opportunities for all employees to develop so that they can progress within the organisation.

### **3.3.6 Measuring perceived advancement opportunities**

Very few measures of perceived advancement opportunities have been developed due to the fact that the construct is not often studied. The construct has however been measured in a few studies (e.g., Delaney & Huselid, 1996; Hammer & Landau, 1986; Riordan & Shore, 1997) and the measures used in these studies are discussed.

Delaney and Huselid (1996) developed a five-item index that measures the internal labour market of a company. The index measures the extent to which there are opportunities for promotion in the organisation. In conjunction with the five-items, the number of occupational levels between the lowest and highest jobs within the organisation is also requested. This indicates the organisation's capacity to promote employees (Delaney & Huselid, 1996), which certainly has an effect on whether employees perceive advancement opportunities. The index of Delaney and Huselid's (1996) study was only applicable to their study, however, and was not developed to be transferred to other studies.

Hammer and Landau (1986) developed a scale which measures the perceived ease of movement to other positions within a company. The scale consists out of four items: "My chances for moving above my present position are high"; "It would be easy to find a job in another department"; "In your opinion, what are the chances you have to move to

another job at the same level as the one you now have, but in a different department?"; and "In your opinion, what are the chances of moving to a job at a higher level within the company?" (Hammer & Landau, 1986). The first two items are answered on a seven-point Likert scale and the last two items are answered on a six-point Likert scale. The items are formulated at the individual unit of analysis, however, therefore the scale is not appropriate for organisational-level studies.

Riordan and Shore (1997) measured employees' perceptions of the opportunities for advancement in their study, using the following items: (a) "I have opportunities for advancement and promotion", (b) "If I perform my job well, I am more likely to be promoted", (c) "People promoted are generally the most qualified among potential candidates", and (d) "The policies and practices of this company ensure all employees—regardless of their gender, racial origin, or physical abilities—have an equal chance for advancement". The items are answered to a 4-point Likert scale with anchors ranging from *strongly disagree* (1) to *strongly agree* (4). The composite reliability of the scale is .82 ( $p < .001$ ) (Riordan & Shore, 1997). The first two items focus on the individual unit of analysis, but the last two items were appropriate for the present study, since they formulated according to the organisational level.

Since the discussed measures are not appropriate for the present study, a measure for perceived advancement opportunities was developed which is based on the constitutive definition of the construct.

### **3.3.7 Perceived power distribution**

The element of perceived power distribution is included in the studies by Ely and Thomas (2001) and Maak and Pless (2004). Power is "the access to and control over scarce and valuable resources" (DiTomaso, Parks-Yancy, & Post, 2007, p. 475). Power, however, is not a solely static state, but also refers to the capacity to change the state of others through providing or withholding valuable resources or punishment (Anderson, Gruenfeld, & Keltner, 2003). Socially valued resources can refer to material assets such as pay or income, but may also refer to social resources such as knowledge, status,

friendship, and decision-making opportunities or authority (Anderson et al., 2003; Harrison & Klein, 2007). Accordingly, punishment refers to both material aspects such as physical harm and job termination, and social aspects such as verbal abuse and exclusion (Anderson et al., 2003). Power, however, does not refer to the absolute value of attained resources, but rather refers to the resource dependency of individuals, which is a characteristic of social relations (Anderson et al., 2003). Power can therefore vary over situations, depending on the social context (Anderson et al., 2003).

‘Disparity’ is a term which refers to the distribution of power. Disparity is the "composition of (vertical) differences in proportion of socially valued assets or resources held among unit members" (Harrison & Klein, 2007, p. 1203). Cox (2001, p. 67) defined power distribution among groups as “the extent to which people of different identity groups have authority or power”. In the present study, perceived power distribution within an organisation refers to the extent that it is believed that all identity groups have equal influence on making decisions and exercising authority (Ely & Thomas, 2001). The different perspectives, opinions and insights of employees are not only heard, but also integrated in decision-making and problem-solving processes (Maak & Pless, 2004). Unequal power distribution exists when a certain identity group has the power to push through their interests against the will of other identity groups (Maak & Pless, 2004).

Perceived power distribution thus is:

The extent to which employees believe that all identity groups have equal influence on making decisions and exercising authority.

### **3.3.8 Measuring perceived power distribution**

A measure for perceived power distribution could not be found in current literature but a measure of organisational inclusion developed by Ledford, Mohrman, and Pelled (1999), does, however, seem to measure the construct of perceived power distribution as defined in the present study. The measure consists of the subscales of decision-making influence, access to sensitive information and job security. Decision-making influence and access to sensitive information are indicators of perceived power distribution. These two subscales

could thus be used to measure perceived power distribution in the present study. The 'decision-making influence' subscale revealed a Cronbach alpha of .79 and the 'access to sensitive work information' subscale revealed a Cronbach alpha of .81, which indicates that both subscales have appropriate internal reliability (Ledford et al., 1999).

The items of Ledford, Mohrman, and Pelled's (1999) measure, as well as items generated from literature were used to develop a measure for perceived power distribution for the present study.

The literature study on the various diversity management outcomes and firm performance has brought clarity to the understanding of the constructs. Subsequently the relationships between these constructs along with DMC will be discussed and argued.

### **3.4 THE RELATIONSHIP BETWEEN DMC AND FIRM PERFORMANCE**

The resource-based view (RBV) (Barney, 1991) states that internal firm resources are sources of competitive advantage. This leads to the assumption that human resources are also sources of competitive advantage (Dunford, Snell, & Wright, 2006). Boxall (as cited in Dunford et al., 2001) stated that a major task of firms is to manage human resources in such a way as to align their interests so that a talented and committed workforce is created. If this task is successfully completed, the organisation will have a human capital advantage, and therefore a competitive advantage. How employees are managed, can therefore affect the performance of a firm (Dunford et al., 2001)

Professionals and academics have long asserted that a firm's performance can be influenced by how it manages its employees (Huselid & Delaney, 1996). Chanda et al. (2009) stated that a diverse workforce consists of a diverse pool of skills, abilities and perspectives which may produce better-quality solutions. If these skills and abilities are well managed, it can result in organisation efficiency, effectiveness and profitability (Chanda et al., 2009). Additionally, if diversity is managed well it can assist companies in



gaining access to a changing marketplace by mirroring the diverse markets (Chanda et al., 2009).

Some empirical studies the argument that diversity management influences firm performance. The effect of press announcements concerning companies that have quality affirmative action (AA) programmes, and concerning companies with discrimination lawsuits, on the companies' stock prices were examined by Ferris, Hiller, Kroll, and Wright (1995). Although AA and diversity management is not the same, effective diversity management will encompass effective AA programmes and discrimination lawsuits are an indication of ineffective diversity management (Brown, Kossek, & Lobel, 2006). The study indicated that one day after the announcement of companies that have quality affirmative action programmes, the companies obtained 0.502 % excess return (Ferris et al., 1995). On the day of the announcement of discrimination lawsuits, the companies suffered a -0.372 % mean daily residual return (Ferris et al., 1995). The results indicate that an effective AA programme increases firm performance and that ineffective diversity management results in a decrease in firm performance. However, it still needs to be emphasised that AA is only one aspect of diversity management.

There are a few studies, however, that relate more specifically to the diversity management-performance relationship. Johnson and Richard's (2001) study provided a case study of a company that integrated effective diversity management into their organisation. Customer satisfaction, community support and the company's stock price increased after the integration of the diversity management initiative (Johnson & Richard, 2001). The study by Bezrukova et al. (2003) revealed that effective diversity management eliminates the potential negative effects of diversity and enhances performance. A more recent study (Choi & Rainey, 2010) examined the effects of diversity management on perceived organisation performance. Diversity management was measured by means of a perceived diversity management scale and through employment equity opportunities (EEO) complaints. Perceived diversity management was found to be positively related to organisational performance ( $r = .58, p < .01$ ), and EEO complaints were negatively related to organisational performance ( $r = -.031, p < .01$ ) (Choi & Rainey, 2010). This

study supports the argument that diversity management is related to firm performance. Accordingly, it is proposed that DMC will positively influence a firm's performance.

*Hypothesis 1: DMC is positively related to firm performance.*

### **3.5 THE RELATIONSHIP BETWEEN DIVERSITY MANAGEMENT OUTCOMES AND FIRM PERFORMANCE**

#### **3.5.1 Inclusive climate and firm performance**

The relationship between an inclusive climate and firm performance can be explained by the supplemental person-organisation fit theory. The supplemental person-organisation fit conception states that similarity between an employee and his or her work environment will result in positive work outcomes (Sacco & Schmitt, 2005). If employees therefore feel that they fit into the organisation's work environment, they will reveal better work outcomes. In an inclusive climate, all kinds of employees feel that they have a place in the organisation. This collective feeling of inclusiveness amongst employees may therefore result in positive performance outcomes. Increased performance outcomes are realised because an inclusive climate increases the total human energy available to the organisation (Miller, 1998). Within an inclusive climate where differences are valued, there is no need to suppress individual and group differences (Miller, 1998). Employees do not waste energy by trying to be a type of person that they are not (Miller, 1998). A climate of inclusion therefore gives confidence to employees and encourages them to give their best (Maak & Pless, 2004). The entire potential energy and contribution from the employees are therefore maintained and encouraged.

The relationship between an inclusive climate and performance can also be explained by Levine's (as cited in Cherin & Mor Barak, 1998) group formation and performance stages, which comprise the successive stages of: (1) formation; (2) inclusion; (3) performance; and (4) termination. According to these stages, inclusion is a prerequisite for group performance. For a group to perform to satisfaction, the group members should

therefore firstly feel included. This analogy can be drawn to the organisational level. Employees should then first feel included before they can effectively perform.

Empirical studies have indicated that organisational climate is related to behaviour and organisational performance indicators such as financial performance and organisational effectiveness (Bowen & Ostroff, 2004). Empirical evidence has also revealed that an organisational climate that supports racial diversity improves the performance of employees. DeNisi and Gonzalez (2009) examined the effects of demographic diversity, moderated by diversity climate, on firm performance. The study revealed a negative relationship with firm performance under an adverse diversity climate for the interaction between diversity climate and racial heterogeneity ( $b = 2.48, p < .05$ ), but a positive relationship under a favourable diversity climate. A significant interaction between racial heterogeneity and diversity climate on return of income was also revealed ( $b = 8.56, p < .05$ ), which indicates a negative relationship when diversity climate is adverse, but a positive relationship under a supportive diversity climate (DeNisi & Gonzalez, 2009). This study has indicated the noteworthy influence diversity climate has on firm performance. A climate of inclusion supports racial diversity and may therefore also improve firm performance.

A study relating specifically to inclusion revealed that perceived level of inclusion strongly predicts job performance (Cho & Mor Barak, 2008). Although Cho and Mor Barak's (2008) study was at the individual level, it can be argued that a climate of inclusion will also cause an increase in an organisation's performance. To reap the benefits of a multicultural workforce, it is therefore necessary to create an inclusive climate in the workplace (Maak & Pless, 2004).

*Hypothesis 2: Inclusive climate is positively related to firm performance.*

### **3.5.2 Perceived advancement opportunities and firm performance**

The dynamics that perceived advancement opportunities may have on employee behaviour could be explained by the distributive justice (Homans, 1961) and equity (Adams, 1965) theories. According to these theories, people will respond to unfair

distribution proportions by experiencing negative emotions, which they would want to escape by acting in such a way as to redress the felt inequity (Greenberg, 1987). People will therefore decrease their performance if they feel that they have been awarded disproportionately less than other referent people. Advancement opportunities are also a form of reward that is distributed amongst employees. If the advancement opportunities within an organisation are therefore seen as unjust, employees will be more likely to reduce their performance to compensate for the unjust distribution.

The expectancy theory (Vroom, 1964) also provides an explanation for the behavioural outcomes of perceived advancement opportunity. The expectancy theory (Vroom, 1964) proposes that employees will perform higher if they believe that high performance will lead to desired outcomes. If employees therefore believe that their performance may lead to advancement, their performance will increase. If employees believe that there is a future for them in the organisation or possibilities for advancement, employees tend to work harder (Hammer & Landau, 1986). If employees, on the contrary, do not perceive advancement opportunities for them in an organisation, they are more likely to leave the organisation.

Two surveys of male and female managers conducted in large American companies indicated that women are more likely to leave their current company. The women's primary reasons were a lack of advancement opportunities or dissatisfaction with the rates of advancement (Blake & Cox, 1991). This study reveals the deterministic role of perceived advancement opportunities on performance. As the collective performance of the employees determines the firm performance, it is proposed that perceived advancement opportunities are positively related to firm performance.

*Hypothesis 3: Perceived advancement opportunities are positively related to firm performance*

### **3.5.3 Perceived power distribution and firm performance**

The contact hypothesis (Allport, 1954) that originated from social psychology may shed some light on the relationship between perceived power distribution and firm

performance. The contact hypothesis argues that interaction between identity groups will reduce stereotyping, discrimination and prejudice. When different identity group members engage in face-to-face interaction, they learn about each other's true characteristics. It is likely that individuals from the different identity groups will be much more similar than their stereotypical images of each other. The knowledge that is therefore acquired through the interaction disconfirms stereotypical beliefs and reduces prejudicial feelings (Konrad & Linnehan, 1999). Research on the contact hypothesis has shown, however, that mere contact does not improve intergroup attitudes and behaviour, but that the contact should be on equal terms (Allport, 1954). The identity groups should therefore enjoy equal power resources before contact will result in improved intergroup relations and behaviour. On the flip side, intergroup interaction will be damaging to intergroup relations and behaviour if the identity groups have unequal power resources (Konrad & Linnehan, 1999).

Anderson, Gruenfeld, and Keltner's (2003) theory on power suggests that the distribution of power has certain effects upon the individual's affect, cognition and behaviour. They suggest that power triggers the behavioural approach and inhibition systems. Rewards and opportunities (power sources) trigger approach-related processes such as affective states that motivate approach-related behaviour, cognitive assessments of reward contingencies in the environment, and forward movement. Increased power therefore results in performance-enhancing behaviour. The behavioural inhibition system is triggered by punishment, lack of rewards, uncertainty or threat and results in affective states such as heightened vigilance, anxiety and expectations of punishment. Decreased power therefore results in performance-inhibiting behaviour.

Members of a more powerful group reveal the following behaviour: they generally speak longer and more often, interrupt members of less powerful groups and have more influence over the content of the interaction (Konrad & Linnehan, 1999). A less powerful group usually responds by either resisting or submitting (Konrad & Linnehan, 1999). If the less powerful group resists, it creates negative feelings and attitudes among the groups. If the less powerful group submits, they fail to express themselves and therefore limit their engagement. The result of either reaction of the less powerful group is that the

potential information-generation that is present within diverse groups is restricted (Konrad & Linnehan, 1999). Unequal distribution of power is associated with outcomes that are detrimental to the functioning of diverse groups, such as reduced input, within-group competition, resentment, decreased collaboration and employee turnover (Gonzalez, 2010). Power should therefore be equal amongst different identity groups for the contact between individuals of different groups to result in improved attitudes and behaviour (Konrad & Linnehan, 1999).

No empirical studies examining the relationship of perceived power distribution and firm performance were found. The effect of job discretion or autonomy, which is a form of power, and job performance, has, however, been studied (Igbaria & Wormley, 1992). Their study revealed that job discretion or autonomy is positively related to job performance ( $\beta = .18, p \leq .05$ ). It is therefore proposed that the collective performance of employees will increase if they perceive that they have influential power within the organisation, and the firm's performance will accordingly increase.

*Hypothesis 4: Perceived power distribution is positively related to firm performance.*

### **3.6 THE RELATIONSHIP BETWEEN DMC AND DMO**

#### **3.6.1 DMC and inclusive climate**

The relationship between DMC and an inclusive climate can be inferred from the conception of climate which is per definition created by organisational practices, procedures and rewards (Gunnarson, Niles-Jolly, & Schneider, 1994). Diversity climate is the aggregate employee perceptions about a company's diversity-related formal structural characteristics and informal values (DeNisi & Gonzalez, 2009). Different HR processes such as recruitment and performance evaluation are fundamental in building an inclusive culture through steering and supporting inclusive behaviour (Maak & Pless, 2004). Inclusion competencies that are imbedded into an integrated management system

create an inclusive climate (Maak & Pless, 2004). The actions, processes and structures that organisations put in place therefore have a fundamental role in developing a climate of inclusion (Bowen & Ostroff, 2004).

It makes conceptual sense that diversity management practices influence organisational climate, but the relationship between the two constructs was also empirically tested by Herdman and McMillan-Capehart (2010). Their study revealed that diversity programmes have a significant impact ( $r = .21$ ;  $p < .01$ ) on employee perceptions of diversity climate, because diversity programmes send a message to employees about the extent to which the organisation values diversity (Herdman & McMillan-Capehart, 2010). Additionally, the study revealed that positive employee perceptions, and therefore a positive climate, are created especially when diversity programmes are coupled with racio-ethnic diversity among leadership (Herdman & McMillan-Capehart, 2010).

It is therefore suggested that the DMC of a company, which entails diversity management practices, procedures and structural change, determines the climate of an organisation. A high level of DMC will create employee perceptions that they are valued and appreciated. An organisation with a high level of DMC will therefore create an inclusive climate.

*Hypothesis 5: DMC is positively related to inclusive climate.*

### **3.6.2 DMC and perceived advancement opportunities**

Bartle, Hayes and Major (2002, p. 452) stated that "organization-wide policies, practices, and procedures send implicit and explicit messages to employees about the organization's stance toward the allocation of opportunities". An organisation's compensation, promotion, and hiring systems can, for example, create certain perceptions amongst employees about whether there are equal opportunities for advancement for all employees (Bartle et al., 2002). The way compensation, promotion and hiring are therefore approached influences the perceived advancement opportunities for employees. Diversity management competency encompassed how compensation, promotion and hiring are approached.

The demographic representation of employees can also potentially influence the perception of advancement opportunities. Riordan and Shore (1997) studied whether similarity between an individual's demographic characteristics and others in a work group influences the individual's perception of advancement opportunities. The study revealed, through hierarchical regression, a significant increase in  $R^2$  over the main effect by the block of interactions ( $\Delta R^2 = .02$ ,  $p < .01$ ). The results therefore revealed that an individual's demographic similarity with his or her work group has an influence on the individual's perception of advancement opportunities. Ely's (1994) study revealed that gender provided little basis for validation and support in firms that appeared to restrict women's access to higher positions, while women were able to use their identification with senior position women as a source of validation and support in firms that appeared not to restrict women's access to senior positions. If women therefore are represented in higher positions, it signals to other women that there is a possibility for advancement (Ely, 1994). A company which is representative of the demographics of its workforce may be a reflection of its diversity management competence.

It is therefore proposed that DMC will have a positive influence on perceived advancement opportunities.

*Hypothesis 6: DMC is positively related to perceived advancement opportunities.*

### **3.6.3 DMC and perceived power distribution**

Power may be gained from individual, interpersonal, organisational, and societal level sources (Konrad & Linnehan, 1999). Although these sources influence each other, societal level sources are the strongest influence of power distribution (Konrad & Linnehan, 1999). The strong societal influence on power distribution is quite evident in the South African context. The societal influence of Apartheid originated the unequal distribution of power within South Africa. Since the CEE annual report (2011) revealed that South African countries have not transformed at the higher levels of organisations, it may be that unequal power distribution is still experienced within organisations. Coster, McFarlin, and Mogale-Pretorius (1999) stated that Black employees in South Africa often



complain that they are not included in the decision-making processes or provided with critical information.

Konrad and Linnehan (1999, p. 402) proposed that “when formal organisational boundaries coincide with identity group memberships, intergroup interactions will revisit historical inequalities at the societal level”. When organisational structures therefore mirror inequality of positional power among different identity groups, the inequality is emphasised and its salience is enhanced (Ely & Thomas, 2001; Konrad & Linnehan, 1999). If the power structure within an organisation encourages voice, however, employees of all kinds of social identities will have a greater ability to influence decisions (Gonzalez, 2010). The organisation can therefore either reinforce or challenge the general power distribution of individuals. As organisational structures, systems, processes and practices have an influential role in determining power distribution, and DMC encompasses organisational structures, systems, processes and practices, it is proposed that DMC is positively related to perceived power distribution.

*Hypothesis 7: DMC is positively related to perceived power distribution.*

### **3.7 OVERARCHING SUBSTANTIVE RESEARCH HYPOTHESIS**

The general reasoning outlined above moved from the premise that the way in which diversity is managed influences intermediate diversity-related constructs at the organisational level and ultimately has an impact on the success of a firm. The overarching substantive research hypothesis for the proposed study is that diversity management competency (DMC) will affect diversity related outcomes and firm performance. Stated otherwise, firms will differ in measures of diversity-related outcomes and firm performance measures, based on their level of DMC. Table 3.3 summarises the substantive research hypotheses.

Table 3.3

*Substantive research hypotheses*

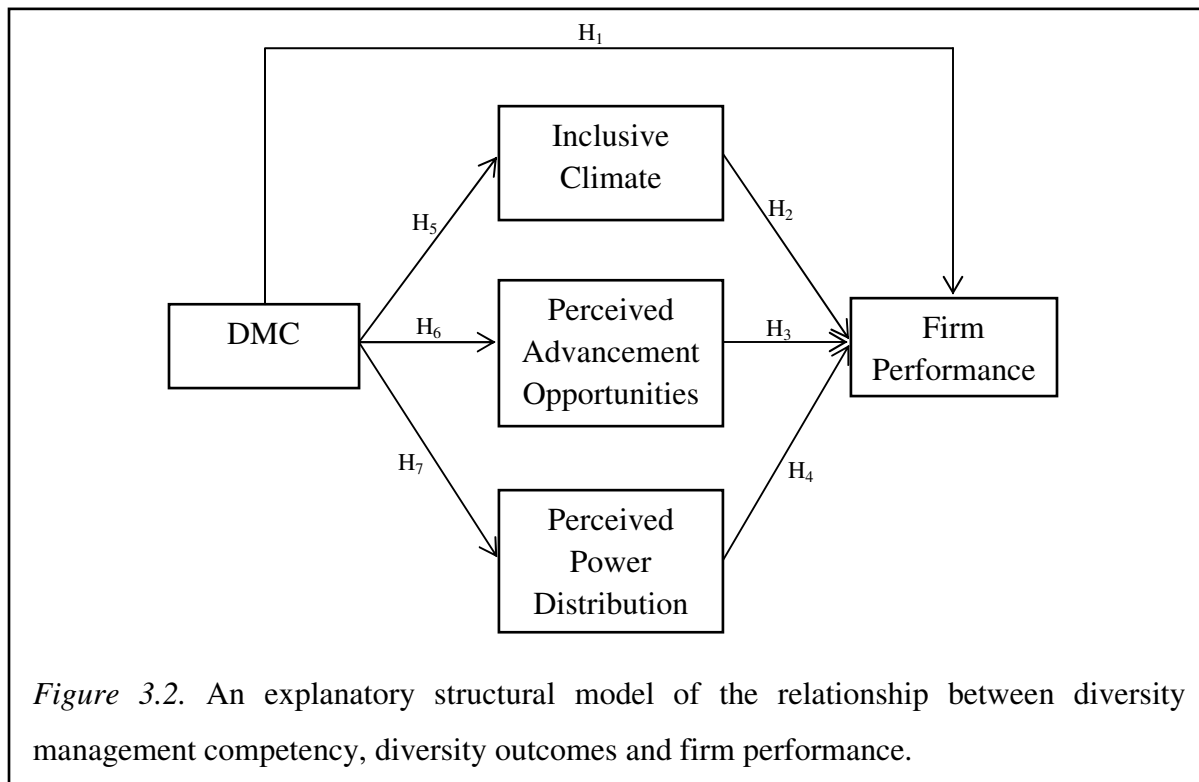

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Hypothesis 1:	DMC is positively related to firm performance.
Hypothesis 2:	Inclusive climate is positively related to firm performance.
Hypothesis 3:	Perceived advancement opportunities are positively related to firm performance.
Hypothesis 4:	Perceived power distribution is positively related to firm performance.
Hypothesis 5:	DMC is positively related to inclusive climate.
Hypothesis 6:	DMC is positively related to perceived advancement opportunities.
Hypothesis 7:	DMC is positively related to perceived power distribution.

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### 3.8 AN EXPLANATORY STRUCTURAL MODEL OF THE RELATIONSHIPS BETWEEN DMA, DIVERSITY OUTCOMES AND FIRM PERFORMANCE

An explanatory structural model was formulated, as shown in Figure 3.2, which encompasses the hypotheses derived from theorising from the literature that was reviewed. The model shows that the level of diversity within a company may influence the level of DMC. The level of DMC will determine the level of the diversity outcomes, which will again affect the performance of the organisation. The DMC will also influence the firm performance directly.



### 3.9 SUMMARY

This chapter presents an investigation of the proximal and the distal outcome variables of DMC. The business case for diversity has suggested that firm performance is related to diversity management. The literature study revealed that, although the business case for diversity is becoming a taken-for-granted assumption, empirical research on the relationship between firm performance and diversity management was scarce. This relationship therefore needed empirical evaluation. The scarce empirical evidence of the diversity management and firm performance relationship may have been the result of the uncertainty about possible intermediate processes between the two constructs. Three intermediate outcomes which seemed to surface within diversity management literature, is proposed within the present study, namely inclusive climate, perceived advancement opportunity and perceived power distribution. These diversity-related outcomes had not been extensively tested through empirical studies, though, which meant that the need for investigating the proposed relationships was clear. The chapter has concluded with a

conceptual representation of the interrelationships of the different variables. Chapter 4 presents a discussion of the research methodology and design that were used in this study.

## CHAPTER 4: RESEARCH DESIGN AND METHODS

### 4.1 INTRODUCTION

This chapter presents the research design and methodology that were used in this study to empirically evaluate the proposed conceptual model of the relationship between diversity management competency (DMC), diversity management outcomes (DMO) and firm performance depicted in Figure 3.2. Scientific methodology serves the epistemic ideal of science. The scientific method is used because of its control mechanisms which maximise the probability of a valid verdict on the truth of hypotheses. It is essential that the researcher reveals the methodology that was used so as to clarify which control mechanisms were implemented and incorporated to arrive at valid findings. Without revealing the methodology that is used, the merits of the researcher's findings cannot be evaluated.

Chapter 4 commences by restating the research problem, and this is followed by a description of the appropriate research design for this study. The sampling technique as well as the utilised measures will be explained afterwards.

### 4.2 RESEARCH PROBLEM AND RESEARCH HYPOTHESES

The research initiating question that lay the foundation for the present research was “*Why do organisations differ in the extent to which they achieve critical diversity-related outcome states considered prerequisites to achieve high firm performance with a diverse workforce?*” The more specific research question that was addressed in the present study was “*What is the relationship between firm-level diversity management competence, diversity management outcomes, and firm performance?*” The independent variable in this study was diversity management competence (DMC) [ $X_1$ ]. The dependent variables in this study were the diversity management outcomes (DMO) of inclusive climate [ $Y_{1a}$ ],

perceived advancement opportunities [ $Y_{1b}$ ], and perceived power distribution [ $Y_{1c}$ ], as well as firm performance [ $Y_2$ ].

An hypothesis is a prediction of a particular relationship between two or more variables (Babbie, 2011; Heinzen & Nolan, 2008). Hypotheses are considered important tools in research based on the fact that they are deduced from theory, can be tested to be either true or false, and therefore advance scientific knowledge (Kerlinger & Lee, 2000). The main substantive research hypotheses developed from the research question of this study and tested in the present study, suggested that different levels of DMC would result in different important diversity and firm performance outcomes. Based on the literature review, seven relationships were developed in more detail, as presented in Chapters 2 and 3. These were subjected to statistical analyses that are presented in the subsequent chapter. The complete set of substantive hypotheses, each followed by its statistical hypothesis, is outlined below.

The broad statistical hypotheses were as follows:

Hypothesis 1:

There is a significant positive relationship between DMC of organisations [ $X_1$ ] and the level of firm performance [ $Y_2$ ] achieved by the organisations.

$$H_{01}: \rho[X_1, Y_2] = 0$$

$$H_{a1}: \rho[X_1, Y_2] > 0$$

Hypothesis 2:

There is a significant positive relationship between inclusive climate [ $Y_{1a}$ ] and firm performance [ $Y_2$ ].

$$H_{02}: \rho[Y_{1a}, Y_2] = 0$$

$$H_{a2}: \rho[Y_{1a}, Y_2] > 0$$

Hypothesis 3:

There is a significant positive relationship between perceived advancement opportunities [ $Y_{1b}$ ] and firm performance [ $Y_2$ ].

$$H_{03}: \rho[Y_{1b}, Y_2] = 0$$

$$H_{a3}: \rho[Y_{1b}, Y_2] > 0$$

Hypothesis 4:

There is a significant positive relationship between perceived power distribution [ $Y_{1c}$ ] and firm performance [ $Y_2$ ].

$$H_{04}: \rho[Y_{1c}, Y_2] = 0$$

$$H_{a4}: \rho[Y_{1c}, Y_2] > 0$$

Hypothesis 5:

There is a significant positive relationship between DMC [ $X_1$ ] and Inclusive Climate [ $Y_{1a}$ ].

$$H_{05}: \rho[X_1, Y_{1a}] = 0$$

$$H_{a5}: \rho[X_1, Y_{1a}] > 0$$

Hypothesis 6:

There is a significant positive relationship between DMC [ $X_1$ ] and perceived advancement opportunities [ $Y_{1b}$ ].

$$H_{06}: \rho[X_1, Y_{1b}] = 0$$

$$H_{a6}: \rho[X_1, Y_{1b}] > 0$$

Hypothesis 7:

There is a significant positive relationship between DMC [ $X_1$ ] and perceived power distribution [ $Y_{1c}$ ].

$$H_{07}: \rho[X_1, Y_{1c}] = 0$$

$$H_{a7}: \rho[X_1, Y_{1c}] > 0$$

### 4.3 RESEARCH DESIGN

A research design comprises the plan and structure of investigation that is created in order to obtain answers to research questions (Kerlinger & Lee, 2000). The plan is the overall scheme or programme of the research which includes the outline of what the researcher planned to do, while the structure is the framework, organisation or configuration of elements which reveals how the elements are specifically related. The research design suggests what observations should be made, how the data should be analysed, and what possible conclusions could be drawn from the analysed data. Through the guidance of the research design, a researcher is assisted in answering the research questions as objectively, accurately, validly and economically as possible (Kerlinger & Lee, 2000).

The function of the research design is to ensure that empirical evidence is interpreted as unambiguously as possible (Theron, 2010). The research design is the trap that is set to “squeeze out a small confession” from the elusive Nature (Theron, 2010). The research design should therefore extricate the variance in the dependent variable which is attributable to the independent variable of interest. This is achieved through the statistical ability of the research design to control variance (Kerlinger & Lee, 2000). Control of variance refers to the maximisation of systematic variance, the control of extraneous systematic variance, and the minimisation of error variance (Kerlinger & Lee, 2000).



Research is usually conducted through a qualitative or a quantitative approach. Qualitative research is used to explore and understand the meaning individuals or groups attribute to a human or social problem, whereas quantitative research involves testing objective theories by examining the relationship between variables (Creswell, 2009). As the two research approaches have two different research objectives, the research objective should determine which approach is used. A third alternative in research approaches that has emerged is the mixed methods approach which refers to “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Johnson & Onwuegbuzie, 2004, p. 17). Using both qualitative and quantitative approaches makes it possible to use the strengths of both methods (Johnson & Onwuegbuzie, 2004), which is why the mixed methods approach is gaining popularity within social research (Creswell, 2009).

The present study used the mixed methods approach. The specific type of mixed method that was used was the sequential exploratory strategy which firstly entails a qualitative data collection and analysis phase and is followed by a quantitative data collection and analysis phase that builds on the results of the qualitative phase (Clark, Creswell & Garrett, 2008; Creswell, 2009). This strategy is suitable when researchers want to test the elements of an emergent theory that resulted from the qualitative phase, or when researchers need to develop a measurement instrument when existing instruments are not available or are inadequate (Creswell, 2009). If the purpose of a study therefore is development (i.e., using the findings from one research method to help inform the other research method) (Johnson & Onwuegbuzie, 2004), the sequential exploratory strategy is appropriate. The sequential exploratory strategy seemed appropriate for the present study, because the empirical literature on effective diversity management that could be found in the South African context was very limited. The qualitative phase was therefore necessary to explore the phenomenon of effective diversity management so that both the hypotheses and the instruments to measure the elements could be developed. The qualitative phase assisted in psychometrically evaluating the instruments and in empirically testing the developed hypotheses.

The sequential exploratory strategy also has some drawbacks, however, which should be considered. Firstly, the strategy is time consuming because it uses two data collection phases (Clark et al., 2008; Creswell, 2009). An appropriate length of time should therefore be set aside for this research. Secondly, critical decisions need to be taken during the qualitative phase about which of its findings will be focused on (Clark et al., 2008; Creswell, 2009). Various and broad-reaching information is usually gathered during the qualitative phase because of its explorative nature. The researchers should therefore make important decisions on what their study will focus on. These drawbacks were considered in the present study.

During the qualitative phase of the present study, data were gathered through semi-structured interviews and analysed through the content analysis technique. Content analysis entails examining and interpreting qualitative data, such as words, sentences and narratives, to identify patterns, themes and meanings (Berg, 2009). The results were used to develop questionnaires.

The quantitative phase entailed gathering data through administering the instruments that measured the elements of the present study. The *ex post facto* or non-experimental research design was then used to test the overarching substantive research hypothesis. An *ex post facto* design makes it possible to investigate the association of variables as they exist and occur. This design is appropriate when the variables cannot be experimentally manipulated or randomly assigned, which makes the *ex post facto* research design suitable for most social science research in which it is often not possible or would be unethical to manipulate variables (Kerlinger & Lee, 2000). The specific type of research design that was used in the quantitative phase of the present study is the correlation design, which enables researchers to study the association between two or more variables (Heinzen & Nolan, 2008). It should however be noted that a correlation in itself does not imply a causal relationship between variables, although it is a criterion of a causal relationship (Babbie, 2011).

## 4.4 SAMPLING

A research question is formulated with reference to a specific population (Blumberg, Cooper & Schindler, 2008). The population is the total collection of elements about which the researcher wishes to make inferences (Blumberg, Cooper, & Schindler, 2008). To test the research hypotheses on the whole population is not practically possible. A representative sample should therefore be used for testing, which means taking a subset or segment of the population and using it as representative of that population (Bell & Bryman, 2003).

### 4.4.1 Sampling design

Sampling techniques can be categorised as probability or non-probability sampling techniques. Probability sampling is the most effective sampling technique, irrespective of the situation (Babbie, 2010). This conviction is based on the premise that, if all elements in a population have an equal chance of being selected for the sample, the probability is higher that the sample will closely resemble the population of all the elements (Babbie, 2010). Unfortunately, probability sampling is not always possible or feasible in social research. Non-probability sampling, which entails selecting participants on the basis of availability and willingness (Gravetter & Forzano, 2009), is primarily used in both qualitative and quantitative studies (Collins & Onwuegbuzie, 2007). Accordingly, this study made use of non-probability sampling. Non-probability, also called convenience sampling, does not permit the researcher any control over the representativeness of the sample (Babbie, 2011). The researcher should therefore take caution in generalising the findings to a larger population (Babbie, 2011; Gravetter & Forzano, 2009). This study can therefore not claim that the samples are representative of its population, but the study may be valuable as a pilot for other more structured samples.

Different sample groups were used at specific stages of the research study. Sample 1 was selected for the purpose of developing the Diversity Management Competency Questionnaire (DMCQ). Sample 2 was used to conduct a pilot study on the questionnaires and Sample 3 was selected to test the hypotheses of this study.

To correct for some of the problems associated with convenience sampling, the present study ensured that the sample was *reasonably* representative by including a diverse group of participants of different gender, age and race groups for the samples, as well as a diverse range of companies in terms of industries for sample 3. Another strategy was to provide detailed information regarding how the samples were obtained. By doing this, readers are enabled to get a clear understanding of who the participants were and to make judgements about the representativeness themselves (Gravetter & Forzano, 2009). Each sample group is described below.

### **Sample 1: Questionnaire development**

Prior to designing the DMCQ (detailed under 4.5.1), a sample ( $N = 12$ ) of managers (subject matter experts) from medium to large South African organisations were interviewed using the Critical Incident Technique (CIT). This was done in order to ascertain the organisational incidents of diversity management that were used for the development of the questionnaire. The convenience sampling technique that was used is often used in qualitative research (Gravetter & Forzano, 2009). Snowball sampling was also incorporated by asking the SMEs involved in the initial interviews to identify further suitable SMEs. Snowball sampling is predominantly used for exploratory purposes (Babbie, 2010). The sampled individuals had all had experience in management positions for at least two years and the companies they worked in had at least thirty employees. The demographic breakdown of the sample was nine White, two Black and one Indian manager. The majority of the sample was male (75%).

### **Sample 2: Pilot study**

The initial DMCQ and DOS were administered to managers ( $N = 25$ ) sampled from three large companies (more than 250 employees) from the construction, financial services and alcoholic beverages industries. Managers were selected for the pilot test because it is essential that the pilot sample is similar to the individuals that would be studied with the final test (Nunnally, 1970). The managers were mostly from the White population group (75%), while 21.9% were Coloured and 3.1% were Black/African. Half of the managers were on the middle management level, 25% at senior management level, 21.9% at junior

management/supervisory level, and 3.1% were Professionals. The sample's first languages were mostly English (50%) and Afrikaans (46.9%), with only 3.1% of the participants speaking isiZulu. Gender was relatively equally represented in the sample (59.4% male; 40.6% female) and the age interval distribution was as follows: 25% 18-29 years, 37.5% 30-39 years, 25% 40-49 years, and 12.5% 50-59 years.

### **Sample 3: Testing overarching research hypothesis**

The research problem of this study was formulated with reference to all organisations in South Africa. The testing of the hypotheses of this study could therefore logically occur in the population of all organisations, with the unit of analysis as the organisation.

Two techniques were used to assemble a sample. Firstly, an invitation to participate in this study was issued to HR practitioners through the South African Board of People Practices (SABPP) newsletter of July 2012. The organisations of all the HR practitioners that responded to the request to participate, acted as the sample for this study. Convenience sampling was therefore used for the first data-gathering attempt. Secondly, snowball sampling was used. This entailed that companies were approached to complete the questionnaire and were then asked to recommend other companies that could participate in the study.

One criterion of the organisations was that they should be of a medium to large size so that the dynamics of a diverse workforce would come into effect. Medium to large organisations are also more able to invest in HRM initiatives than small organisations (Boon, Boselie, & Dietz, 2005). For the purposes of this study, the sampled organisations were required to have 40 employees or more.

The initial sample of the present study comprised 78 employees from 34 different companies in South Africa. The demographic profile of the sample is presented in Table 4.1. The participants in the study consisted mostly (29.5%) of the 18- to 29-year age group, with the second biggest age group being 30- to 39-year olds (26.9%). Gender was approximately equally distributed (male: 48.7%; female: 50%; unreported: 1.3%). The majority of the sample was White (64.1%), with the largest language group being

Afrikaans (51.3%) and the second largest, English (35.9%). The participants were mostly employed in higher-level jobs and working in companies with more than 250 employees (64.1%). The companies of the participants represented 15 different industries. The financial services (16.7%) and manufacturing (15.4%) industries were mostly represented.

Table 4.1

*Demographic Details of the Sample*

Age		
Variable	Frequency	Percentage
18-29 years	23	29.5
30-39	21	26.9
40-49	16	20.5
50-59	16	20.5
60-69	2	2.6
Gender		
Responses	Frequency	Percentage
Male	38	48.7
Female	39	50.0
Unreported	1	1.3
Ethnic Background		
Responses	Frequency	Percentage
Black/African	12	15.4
Coloured	12	15.4
White	50	64.1
Indian	4	5.1

Table 4.1 Continued

First language		
Variable	Frequency	Percentage
Afrikaans	40	51.3
English	28	35.9
Sepedi	2	2.6
isiXhosa	4	5.1
Xitsonga	1	1.3
isiZulu	3	3.8
Job level		
Responses	Frequency	Percentage
Senior management	29	37.2
Middle management	21	26.9
Junior management / supervisory	11	14.1
Operational / technical	2	2.6
Professional	15	19.2
Company size		
Responses	Frequency	Percentage
50 employees or less	10	12.8
51-250 employees	16	20.5
More than 250 employees	50	64.1
Unreported	2	2.6

*Note.*  $N = 78$

The information above characterises the sample under investigation in the present study. The demographic variables were included in the study due to their possible effects on the proposed relationships between DMC, diversity outcomes and firm performance. To determine the external validity of the results found in the present study, replications of the research need to be performed on a number of additional samples in future research. Furthermore, the demographic composition of such samples should deviate systematically from the current sample in order to improve the representativeness of this research.

#### **4.4.2 Sample size**

The choice of sample size is just as important as the choice of sample design, since both determine the extent to which analytic and / or statistical generalisations can be made (Collins & Onwuegbuzie, 2007). A general rule for all research is to use as big a sample as possible. One of the reasons for using a large sample is because it minimises the error, i.e. how much the sample deviates from the population values. A larger sample therefore results in a more accurate calculation of statistics (Kerlinger & Lee, 2000). However, as it is not always possible to accumulate large samples, it is necessary to calculate the approximate sample size that is needed for a particular type of study.

The sample size should be determined primarily by the research objective, research question(s) and, consequently, the research design (Collins & Onwuegbuzie, 2007). For a qualitative study using interviews for gathering data, as in the present study, the minimum sample size should be twelve participants (Collins & Onwuegbuzie, 2007). For a quantitative study using a correlation research design, a sample of at least sixty-four participants is proposed for one-tailed hypotheses to detect a medium significant relationship with .80 power at the 5% level of significance (Collins & Onwuegbuzie, 2007).

Although it had been suggested that the sample size for the quantitative phase of the present study should be at least sixty-four, a required sample size was calculated through the power analysis programme, G\*Power (Version 3.1.5), which “performs high-



precision statistical power analyses for the most common statistical tests in behavioral research” (Buchner, Erdfelder, & Faul, 1996, p. 1). G\*Power 3 was used to conduct an *a priori* power analysis to identify the required sample size. The programme computes the sample size if you provide the information of effect size, alpha levels, and power values (Buchner, Erdfelder, Faul, Lang, 2007). To determine the required effect size, one should look at similar studies conducted previously. However, sufficient and clear empirical evidence cumulated about the pattern of firm diversity effects on firm-level outcomes (Joshi, 2011) was not available—the effect sizes of the available studies based on bivariate correlations varied widely from -.32 to .13 (Joshi, 2011). However, G\*Power 3 can also be used without providing an effect size, but providing the correlation between the variables. It was decided to use a strong correlation of .600, along with  $\alpha = .05$  and power of .95. The programme revealed a required sample size of  $N = 25$ . This, surprisingly, was smaller than previous suggestions in literature.

#### 4.5 MEASURING INSTRUMENTS

Measurement in research entails the quantification of empirical events according to certain rules (Blumberg, Cooper, & Schindler, 2008; Kerlinger & Lee, 2000). The objective of measurement in research is to provide data that is high in quality and contains low error, so that hypotheses can be effectively tested (Blumberg et al., 2008). If measurement provides low-quality and high-error data faulty verdicts will be made about hypotheses. The soundness of measurement is therefore essential. The soundness of measurement is indicated by its reliability, validity and practicality (Blumberg et al., 2008). Reliability can generally be described as the dependability or stability of the measurement, while validity refers to whether you are measuring what you intend to measure (Kerlinger & Lee, 2000). Practicality refers to whether the measurement is feasible to use (Blumberg et al., 2008). When developing or choosing measuring instruments, the psychological properties of reliability and validity, as well as their practicality, should always be considered.

For this study, it was required to measure three main latent variables through measuring instruments. Questionnaires for the variables of DMC and DMO were developed and an instrument was selected to measure firm performance. A composite questionnaire consisting of three different measurement instruments, with 159 items in all, was distributed for this purpose to the employees of the participating organisations. These questionnaires of the composite questionnaire are discussed in the subsequent section.

#### **4.5.1 The Diversity Management Competency Questionnaire (DMCQ)**

The DMCQ was specifically developed for this study. It was necessary to develop such a questionnaire because no measure of DMC could be identified in the literature. A three-step process was used to develop the DMCQ. The process that was followed was similar to the process used by the Human Resource Competency Study (HRCS) which had the aim of identifying the competencies required by HR professionals (Brockbank, Johnson, Sandholtz, Ulrich, & Younger, 2008).

##### **Phase 1: Literature review**

First, literature on diversity management practices and competencies was examined to identify diversity management competencies. This literature study of diversity management competencies and practices is reported in Chapter 2 of this study. The literature study revealed the scarcity and inconclusive research concerning diversity management competencies, especially in the South African context. Preliminary diversity management competencies were formulated from the exiting literature, however. These are discussed in Chapter 2.

##### **Phase 2: Generating competencies**

When there is insufficient theory for a specific study, qualitative research is an appropriate method for generating theory (Harman, Lee, & Mitchell, 2011). In the present study, qualitative research was used to generate diversity management competencies. Qualitative research has the additional advantage of providing rich contextual data, which assisted with the the generated competencies being applicable to the South African context.

In-depth interviews with open-ended questions were used to generate information on diversity management competencies. A qualitative interview is “an interview between an interviewer and a respondent in which the interviewer has a general plan of inquiry but not a specific set of questions that must be asked in particular words and in a particular order” (Babbie & Mouton, 2001, p. 288). The interviews of the study were semi-structured. Semi-structured interviews “start with rather specific questions but allow the interviewee to follow his or her own thoughts later on” (Blumberg et al., 2008, p. 385). The interview schedule that was used as a guideline for the interviews is presented in Appendix A. The interview schedule assured that the same issues in all the interviews were addressed and that the questions were asked similarly (Blumberg et al., 2008). The researcher additionally used probing questions to evoke more information on the topic. Semi-structured interviews assist the process of exploring a certain topic without having predefined ideas about the topic (Blumberg et al., 2008). These interviews have the objective of obtaining the perspectives of the interviewees, but also to confirm the information that the researcher had already gathered on the topic (Blumberg et al., 2008).

The critical incident technique (CIT) was used in the in-depth interviewing to develop diversity management competencies (DMCs). The CIT is a procedure for gathering a list of behaviour examples (incidents) of especially good and poor (critical) performance revealed by individuals (Barrick, Field, & Gatewood, 2008). The objective of the technique is to record behaviour that has actually been observed and not to gather judgmental or trait-based descriptions of performance (Barrick et al., 2008). The generated data about observed behaviours are then grouped to form dimensions (Barrick et al., 2008). The CIT does not comprise a rigid set of rules, but rather a flexible set of principles that can be modified depending on the circumstances in which it is used (Flanagan, 1954). Flanagan (1954) identified five steps which comprise the CIT. The steps are: (1) formulate the general aim, (2) establish specifications, (3) generate the critical incidents, (4) analyse the data, and (5) interpret and report the results. These steps were followed to guide the process of eliciting DMCs, thus the interview schedule reflects the first three steps [Appendix A]. The CIT was used because of the reliability and validity of behaviour-based interviews (Green, 1999).

The interview sessions commenced with an explanation of the purpose of the interviews and assurance that confidentiality would be remained. The introductory question of "*What is your understanding of the term 'diversity'?*" was then asked to get the interview started (Blumberg et al., 2008) and to ensure that there was conceptual congruence with regard to the topic that was discussed. Next, the *general aim* of DMC was stated. The general aim refers to what constitutes successful behaviour or adjustment in the specified situation. Derived from relevant literature, the general aim of DMC is to effectively respond to the challenges and opportunities that are present amongst a culturally diverse workforce.

The *specifications* with regard to what types of answers were requested were then stated to the interviewees. First, the situations to be observed were specified. The observed situation was specified as observation of the behaviour of management within the organisation in dealing with diverse employees or diversity issues. Secondly, how it would be determined whether the observed behaviour was relevant to the general aim of DMC was specified. It was specified that 'any action which either directly or indirectly could be expected over a long period of time to have a significant effect on the general aim should be included' (Flanagan, 1954, p. 12). If there was uncertainty about whether the observed action would have a positive or negative effect on the general aim of DMC, the action was not to be considered. Thirdly, the extent of the effect on the general aim of the observation had to be determined by the observer.

The interviews were commenced by asking the structured questions, as well as probing questions, to *generate* the critical incidents. The following criteria were used during the interviews for the critical incidents:

- 1) Actual behaviour had to be reported.
- 2) Incidents had to have been observed by interviewee.
- 3) The context was to be described briefly and all the relevant factors stated.
- 4) The consequences of the incident had to be stated.
- 5) The judgment on the criticalness had to be provided and why the interviewee deemed it as critical had to be explained.

Interpreting questions were often used at the end of the interviews to confirm whether the interviewer interpreted the information correctly (Blumberg et al., 2008).

Additional SMEs were interviewed until no new incidents were reported. In total, twelve SMEs were interviewed. The interviews were recorded on an audio recorder and transcribed [see Appendix B for an example] and stored in a database protected by password-entry. The transcription was conducted by a team of three individuals, which included the researcher in this study.

The transcribed interview data were then analysed, which entailed identifying common themes among the identified incidents (Barrick et al., 2008). The analysis technique that was used was content analysis, which is "a careful, detailed, systematic examination and interpretation of a particular body of material in an effort to identify patterns, themes, biases, and meanings" (Berg, 2009, p. 338). Content analysis was conducted by a team of four, which included the researcher.

The content analysis process was started by first clarifying the research objective of content analysis for the analysis team. The research objective was *to identify and formulate the most essential diversity management competencies that ensured effective diversity management*. Secondly, preliminary diversity management competencies that were extracted from current research literature were presented to the analysis team. Table 4.1 provides a summary of literature that supports each of the initial competencies extracted from the literature research.

Thirdly, the researcher identified and highlighted preliminary themes from all the transcribed interviews, before distributing them to the rest of the analysis team. Preliminary theme identification was done to provide the team with examples of the type of themes that were required. The transcribed interviews were distributed to the members of the analysis team in such a way that each member received at least two transcribed interviews. The team was instructed to read the interviews and identify relevant themes or category labels (Berg, 2009) with regard to diversity management. Boyatzis (1998, p. 4) defined a theme as follows:

A theme is a pattern found in the information that at minimum describes and organizes the possible observations and at maximum interprets aspects of the phenomenon. A theme may be identified at the manifest level (directly observable in the information) or at the latent level (underlying the phenomenon).

The open analysis coding procedure was therefore used. An open analysis entails extracting the general message of the text and not necessarily identifying specific words or phrases (Blumberg et al., 2008). The team members shared the themes that they had identified through a brainstorming session. Similar themes were then grouped.

Fourthly, the researcher rephrased the theme groupings until an appropriate code was formulated for the groupings. Explicit definitions for each code were formulated to represent DMCs.

Fifthly, specific diversity management practices (critical incidents) were identified from the transcribed data and sorted according to the themes. Additional diversity management practices were identified with the help of a diversity management consultant. After the final categories had been established, each category was given a label that indicated the DMC. The generated dimensions are presented in Chapter 5.

Items for the Diversity Management Competency Questionnaire (DMCQ) were written on the basis of the identified diversity management practices. The items were written according to the guidelines proposed by Hinkin (1998). The items were formulated to be as simple and short as possible and it was ensured that the language used for the items would be familiar to the target respondents. Double-barrelled items were not used so that the items would only refer to single issues (Hinkin, 1998).

### ***Content validity.***

As previously mentioned, it is important to ensure that a measure is valid. The three types of validity are content validity, criterion-related validity and construct validity. Content validity refers to whether a measure's content covers a representative sample of the

behaviour domain to be measured (Foxcroft & Roodt, 2009). Criterion-related validity refers to whether a measure can accurately identify or predict the behaviour to be measured (Foxcroft & Roodt, 2009), while construct validity refers to whether a measure measures the theoretical construct it is supposed to measure (Foxcroft & Roodt, 2009). Content validity is especially important, since "no degree of reliability or construct validity can compensate for lack of content validity" (Rungtusanatham, 1998, p. 11). The content validity of a measure should first be ensured, before evaluating the criterion-related and construct validity.

The content validity, which is a judgmental process of the content (Kerlinger & Lee, 2000) of a measure, is often assumed to be the outcome of the process that is used to develop a measure (Rungtusanatham, 1998). Although a thoroughly developed measure, based on relevant literature, would ensure higher content validity, there is always an extent of error which may have crept in during the development stages. It is therefore essential to evaluate the content validity of a measure. Two approaches to evaluate the content validity of a measure, namely the Content Validity Ratio (Lawshe, 1975) and Cohen's (1960)  $\kappa$  were used for the DMCQ.

The content validity of the items was firstly assessed on the basis of the method proposed by Lawshe (1975). In accordance with Lawshe's (1975) method, a set of preliminary items of the competencies along with their definitions were administered to a judgment panel ( $N = 9$ ). Respondents were asked to rate each item as *essential*, *useful but not essential*, or *not necessary* in describing the defined competency. The content validity ratio (CVR) developed by Lawshe (1975) was used to quantify the content validity of each item. The formula for the CVR is as follows:

$$\text{CVR} = \frac{n_e - N/2}{N/2} \quad (4)$$

$n_e$  is the number of respondents who indicated *essential* and  $N$  is the total number of respondents. On a .05 significance level for a one-tailed test, the critical CVR for nine respondents is .548, according to the newly developed table by Pan, Schumsky, and

Wilson (2012). The items therefore had to have a CVR of .548 or higher. After receiving the responses of the judges, it was noticed that some judgment values were missing. Some items therefore only had eight responses. Those items that only had eight responses were evaluated against the critical value of .582. Evaluating the CVRs of the items revealed that the judges rated the items very critically. This may be explained by the instruction that was given to them to not hesitate to rate an item as not essential. Each subscale was then evaluated separately and about 16 of the items with the highest CVR value per subscale were selected to be retained. In total, 179 items were retained. The same process was followed for the items of the Diversity Outcomes Scale (DOS). The development of the DOS is indicated in section 4.7.2.

The content validity of the retained items was subsequently evaluated through Cohen's (1970) approach. The retained DMCQ items were miscellaneously sorted and presented to four subject matter experts (SMEs). The SMEs were also provided with the DMCs and their definitions. The SMEs had to match each item with the competency which they thought it measured. The items that revealed agreement among the SMEs were retained. Some items were consistently matched to a different competency than was intended for the item. In such cases, the items were re-categorised to another competency or the definition of the competencies or the items were adjusted slightly. When two or three judges agreed with the categorisation of an item, the item was also considered to be retained. A total of 123 items were retained.

### **Phase 3: Pre-testing**

The third and final step in the process of developing the DMCQ was to pilot-test it with managers. Pilot-testing is an empirical investigation of the reliability and validity of a newly developed test (McIntire & Miller, 2000). The data obtained from a pilot test are analysed and used to make adjustments if necessary (McIntire & Miller, 2000). Since the purpose of pilot-testing is to evaluate how well a questionnaire performs, the situation and respondents to the test should match the actual circumstances and respondents in the actual administration of the questionnaire (McIntire & Miller, 2000). Managers ( $N = 25$ ) were selected for the pilot-testing of the DMCQ and the Diversity Management



Outcomes (DMO) scales. The development of the DMO scales is discussed in section 4.5.2. Since the unit of analysis of the overarching research question was to be organisations, it was considered ideal to pilot test the questionnaires with managers from thirty different companies. This, however, was not feasible, as it would have exhausted the potential companies that could be used for the main research study. Thirty managers were therefore sampled from three different companies.

Quantitative item analysis was conducted on the pilot data through the IBM SPSS Statistics 19.0 (2010) programme. The item total correlations, alpha if item removed, means and standard deviations were inspected. All the subscales of the DMCQ revealed internal consistency coefficients greater than .80, which is satisfactory, except for the subscale of Affirmative Development, which revealed a Cronbach's Alpha of .727. Poor items were identified and eliminated. Table 4.2 indicates the reliability of the subscales after deletion of the poor items. The Affirmative Development subscale still reveals an internal consistency below .800, but the small pilot sample ( $N = 25$ ) means that the sample coefficient alpha is not a robust estimator of the population coefficient alpha (Yurdugül, 2008).

Table 4.2

*Diversity Management Competencies (DMCs), number of items and internal consistency*

DMC	# items	$\alpha$
Leading Diversity	8	.93
Capitalising on diversity	8	.94
Sustainable Transformation	7	.83
Fair Practices	11	.88
Systemising diversity management	7	.91
Diversity Measurement	11	.89
Diversity Change Management	10	.90
Diversity Management Credibility	10	.90
Affirmative development	7	.74
Diversity competence	10	.94
Promoting inclusiveness	9	.91

The finalised DMCQ consists of 98 items divided amongst eleven subscales (DMCs). The items are rated according to a 5-point Likert scale ranging from *strongly disagree* (1) to *strongly agree* (5). These items included a sixth response option (i.e., *don't know*) to allow for the possibility of an employee having insufficient exposure to or knowledge of a certain organisation action for recording a valid rating. Example items are “the organisation influences perceptions of diversity in broader society”; “the organisation assembles work teams to capitalise on strengths of diversity”; and “the organisation measures, evaluates and monitors diversity management progress and performance”.

#### **4.5.2 Developing scales for diversity management outcomes (DMO)**

Measurement instruments were also developed for the DMO constructs of this study, because appropriate measures for these constructs currently are not available. Aguinis,

Henle, and Ostroff (2001) and Hinkin (1998) proposed the following process for developing a survey questionnaire measure, which was broadly followed:

- 1) Determine the purpose of the measure.
- 2) Define the attribute to be measured.
- 3) Develop a measure plan.
- 4) Write the items.
- 5) Conduct a pilot study and item analysis.
- 6) Select appropriate items.
- 7) Establish norms (not applicable in the present study).
- 8) Determine the reliability and validity of the measure.

Preliminary items can be developed through a deductive or an inductive approach (Hinkin, 1998). The deductive approach is appropriate when there is a thorough theoretical foundation for the construct. The deductive approach entails conducting a thorough literature study on the particular construct to result in the development of a theoretical definition. The definition is then used as a guide to develop items. The inductive approach is appropriate when “the conceptual basis for a construct may not result in easily identifiable dimensions” (Hinkin, 1998, p. 107). The inductive approach entails an inquiry with respondents about the construct. The responses are then categorised according to themes and items are derived from these themes (Hinkin, 1998).

In this study, the items for the DMO scales were generated through both the deductive and inductive approaches. Both approaches were used because, although the DMO constructs had a theoretical basis, respondents could confirm whether the construct are actually experienced in practice. The literature study and definition formulation of the DMO constructs are discussed in Chapter 3 of this study. The preliminary items were formulated from the definitions of the constructs.. Additional items for the DMO constructs were then derived from the identified themes obtained from the interview data.

As previously indicated, the items for the DMO scales were tested for content validity and were then pilot tested with managers ( $N = 25$ ).

The Likert item format was used for the scales. The Likert format requires the respondent to indicate the degree to which he or she agrees with each item (Kaplan & Saccuzzo, 2001). Attitude measures usually use the Likert format (Kaplan & Saccuzzo, 2001), in which the items of the scales are more specifically answered through a 5-point Likert scale ranging from *strongly disagree* (1) to *strongly agree* (5).

#### **4.5.2.1 Inclusive climate**

A scale to measure inclusive climate had to be developed, because there was no appropriate measure to measure the construct of this study. The development of the items was based on the literature as well as on items used in existing scales that measure diversity climate (Avery et al., 2007; Herdman & McMillan-Capehart, 2010). The final scale comprised nine items. An example item is: “All employees feel welcome in the organisation”. The pilot test revealed that this scale has a reliability of  $\alpha = .89$ , but because of the small sample ( $N = 22$ ; smaller sample size is due to incomplete responses), the sample coefficient alpha is not a robust estimator of the population coefficient alpha (Yurdugül, 2008).

#### **4.5.2.2 Perceived advancement opportunities**

A scale was developed to measure perceived advancement opportunities. The items were developed from relevant literature and items from Riordan and Shore's (1997) scale were included in the preliminary scale, prior to evaluating content validity. The final scale has six items. An example item is: “There is equal access to advancement opportunities for all employees”. The pilot-test revealed that this scale has a reliability of  $\alpha = .96$ , but because of the small sample ( $N = 23$ ; smaller sample size is due to incomplete responses), the sample coefficient alpha is not a robust estimator of the population coefficient alpha (Yurdugül, 2008).

#### **4.5.2.3 Perceived power distribution**

A scale was developed for perceived power distribution. The items were based on relevant literature and items from Ledford, Mohrman, and Pelled's (1999) scale of organisational inclusion were modified and included with the preliminary items prior to evaluating the content validity of the items. The final scale contains five items. An example item is: "Diversity groups have equal authority or power in the organisation". The pilot test revealed that this scale has a reliability of  $\alpha = .96$ , but because of the small sample ( $N = 23$ ; smaller sample size is due to incomplete responses), the sample coefficient alpha is not a robust estimator of the population coefficient alpha (Yurdugül, 2008).

### **4.5.3 Measurement of firm performance**

The Performance Index (PI) developed by Spangenberg and Theron (2004) was used to measure firm performance in a non-financial manner. The developers of the PI provided permission to use the PI within this study. The PI was developed from a comprehensive model of work unit performance effectiveness based on literature targeting financial and non-financial performance measures of organisational effectiveness (Spangenberg & Theron, 2004). The purpose of developing the PI was to diagnose the health and effectiveness of organisational work units, as well as to serve as a validation criterion for research purposes. The questionnaire measures eight correlated dimensions by means of 56 items on a five-point Likert scale (Spangenberg & Theron, 2004). The dimensions focus on unit performance dimensions for which a leader is responsible.

The subscales of Productivity and Efficiency, Adaptability, Capacity, Market standing, and Projected Future Growth, were used in this study. The Adaptability and Projected future growth scales provide valuable information that the financial statements of companies cannot provide. The reliabilities of the subscales are as follows: Productivity and Efficiency:  $\alpha = .83$ , Adaptability:  $\alpha = .84$ , Capacity:  $\alpha = .85$ , Market standing:  $\alpha = .89$ , and Projected Future Growth:  $\alpha = .87$ . Additionally, each of these five subscales has proven to be uni-dimensional (Spangenberg & Theron, 2004).

Ideally, non-financial and financial measurements of performance should be combined to balance out the shortcomings of the two measurements. Although it would have been ideal to also measure the financial performance of the sampled companies, this was not feasible; companies are reluctant to provide their financial statements.

#### **4.6 DATA COLLECTION FOR QUANTITATIVE PHASE**

Data for the quantitative phase of the present research study were collected by means of an on-line self-administered questionnaire-type survey. A survey is a “structured set of questions or statements given to a group of people in order to measure their attitudes, beliefs, values, or tendencies to act” (Goodwin, 2003, p. 398). Self-administered questionnaires (filled out by the participants in the absence of an investigator) have the advantage of being easily distributed to a large number of people at low cost; in this instance the questionnaire could be accessed through a URL link.

The data collection was done according to the American Psychological Association’s (APA) ethical guidelines. The questionnaire therefore included a section which explained the confidentiality of the responses and that anonymity of all participants would remain. Only the researcher had access to the responses of the questionnaires. Access to the questionnaire responses were secured by a password. The Research Ethics Committee (REC) of the University of Stellenbosch gave ethical clearance for this research study.

A letter was sent via email to the HR managers of companies that indicated that five of their employees would participate in the study (see Appendix C). This letter described the entire process of data collection within the company. The HR managers were also provided with a letter that they could send to their participating employees (see Appendix D) and, lastly, the HR managers were requested to sign a letter of institutional permission (see Appendix E). After analysing the results of the present study, a report that presented the average score of their company on each of the DMCs was sent to the participating companies. Appendix F provides an example of the report. In attempt to obtain the most

candid response, confidentiality was assured in all instances and personal details were not requested in the questionnaire.

Individuals could also participate in this study by following the URL link and completing the online survey anonymously. The URL link was presented in the July 2012 newsletter of the South African Board for People Practices (SABPP). HR practitioners were requested to participate in the present study. The individual responses were treated as representing the whole company.

It is important to be aware of the disadvantages of self-administered questionnaires. These disadvantages include non-response bias and communication errors (Jolley & Mitchell, 2007). The first problem is due to the characteristic low return rate of self-administered questionnaires, resulting in a few respondents who might not be typical of the targeted survey group (and resulting in lowered external validity). To minimise the possible occurrence of this problem, the HR managers of each company were requested to identify five specific individuals within their company to fill in the questionnaires. Three lower-level employees were identified, as well as one senior-level and one middle-level employee from each company. The HR manager could represent the middle-level employee. Non-response bias could however not be overcome through the individual responses that were obtained.

The second problem, communication errors, creates problems when misunderstood questions were omitted or answered incorrectly (Jolley & Mitchell, 2007). The possibility of this problem was reduced by providing respondents in the survey with a contact email address for queries.

## **4.7 SUMMARY**

In this chapter, the research methodology of the study has been described. This included stating the hypotheses, the details of the measuring instruments used, as well as the statistical analyses performed on the resultant data. The following chapter (Chapter 5) presents the results of the research, followed by the interpretation of the results in Chapter 6.

## CHAPTER 5: RESULTS AND DISCUSSION

### 5.1 INTRODUCTION

This chapter presents the results of this study. The first section contains the results of the developed Diversity Management Competency Questionnaire (DMCQ). This entails defining the different competencies and analysing the items of the questionnaire and of the Diversity Outcome Scale (DOS). The second section of this chapter entails determining the nature of the relationship between diversity management competency (DMC), important diversity outcomes, and firm performance. The relationship of these variables will be determined through evaluating the series of explanatory hypotheses.

### 5.2 DEVELOPMENT OF QUESTIONNAIRES

#### 5.2.1 Definitions of Diversity Management Competencies

The qualitative research part of this study resulted in the formulation of eleven diversity management competencies (DMCs). These DMCs are discussed in the subsequent sections.

##### **Leading Diversity**

*Leading diversity* refers to the competency of exhibiting leadership in the market and society with regard to diversity and diversity management. This competency includes actions such as promoting support for diversity to the public and investing in and supporting initiatives outside the company which establish greater equal opportunity and redress inequality in society.



### **Capitalising on Diversity**

The competency of *capitalising on diversity* refers to the extent to which an organisation capitalises on the diversity of knowledge, skills, abilities and perspectives among employees to create competitive advantage. This therefore refers to all strategic actions that a company uses to optimise the potential benefits of diversity.

### **Sustainable Transformation**

*Sustainable transformation* is the ability of an organisation to balance the transformation agenda with business sense. The goal of the transformation agenda is to insure that the demographics of companies reflect the demographics of the society. This competency therefore refers to whether a company strives to improve the demographic representation of the company, but still considers the impact that transformation actions will have on the business and makes decisions accordingly.

### **Fair Practices**

The competency of *fair practices* entails the extent to which an organisation applies and promotes fair employment practices so that employment equity, equal opportunities and fair treatment are enhanced. This competency includes removing barriers to fair employment practices and implementing best practice guidelines for enhancing equal opportunities and preventing unfair discrimination.

### **Systemising diversity management**

*Systemising diversity management* comprises the extent to which a company plans and organises how diversity management can be systematically integrated into the organisation by transforming the human resource (HR) function, establishing additional policies, and implementing systems and procedures. This competency refers to the extent to which diversity management is part of the formal functioning of the organisation.

### **Diversity Measurement**

*Diversity measurement* encompasses the extent to which an organisation measures, evaluates and monitors diversity management progress and performance. Diversity measurement is conducted through using metrics and other measuring or monitoring instruments to ensure continuous progress concerning diversity management goals.

### **Diversity Change Management**

The competency of *diversity change management* involves the degree to which an organisation manages diversity through the change management process. The change management process involves the use of Organisation Development (OD) interventions such as constant communication of and feedback regarding the importance and progress of diversity management, and driving the process through champions for change. Through the change management process, effective and sustainable diversity management implementation is ensured.

### **Diversity Management Credibility**

Diversity management credibility refers to demonstrating authenticity and transparency in managing diversity. Organisational actions reveal that the organisation is truly motivated to implement diversity management and the organisation is honest and open with regards to its diversity management intentions and progress. The company therefore reveals congruent actions so that trust is built amongst all stakeholders.

### **Affirmative Development**

*Affirmative development* involves supporting accelerated functional skills development of designated groups (as defined by the EEA) through proactively identifying, recruiting, nurturing and developing promising individuals of designated groups in order to unleash inert potential and redress past imbalances.

### **Diversity Competence**

*Diversity competence* concerns the degree to which a company empowers employees to be competent in diversity management knowledge, skills, abilities and other characteristics (KSAOs) through education, training and development, so that the employees practise the necessary and appropriate interpersonal behaviour in a diverse workforce. This competency includes diversity sensitivity training, as well as training managers in diversity management skills.

### **Promoting Inclusiveness**

The competency of *promoting inclusiveness* comprises the extent to which a firm actively promotes awareness, respect and valuing of differences within the organisation, irrespective of the nature of these differences, through symbolic actions that reveal that diversity is celebrated.

#### **5.2.2 Descriptive statistics**

The first step in most statistical analyses involves examining the univariate descriptive statistics to determine the accuracy of the data (Tabachnick & Fidell, 2001). Descriptive statistics are used to describe the sample in terms of variables or combinations of variables (Tabachnick & Fidell, 2001). Accordingly, the researchers of the present study initiated the analysis by calculating the univariate descriptive statistics of the variables, including, amongst other things, means, standard deviations, skewness and kurtosis statistics. The descriptive statistics are presented in Table 5.1.

Table 5.1

*Analysis of Univariate Descriptives for subscales prior to item analyses*

Subscale	n	Minimum	Maximum	M	SD	Variance	Skewness		Kurtosis	
							Statistic	Std. Error	Statistic	Std. Error
LEAD	78	1.00	5.00	3.59	1.02	1.03	-.70	.27	-.06	.54
CAPI	77	1.00	5.00	3.27	1.03	1.05	-.33	.27	-.43	.54
SUST	77	1.40	5.00	3.74	.89	.80	-.84	.27	-.09	.54
FAIR	77	1.56	5.00	3.78	.76	.58	-.69	.27	.48	.54
SYST	78	1.00	5.00	3.60	.99	.98	-.58	.27	-.42	.54
MEAS	77	1.00	5.00	3.15	1.06	1.13	-.18	.27	-.96	.54
CHAN	76	1.00	5.00	2.83	1.13	1.29	-.04	.28	-.98	.55
CRED	76	1.00	5.00	3.05	1.03	1.05	-.37	.28	-.18	.55
AFFI	78	1.00	5.00	3.51	1.02	1.04	-.60	.27	-.26	.54
COMP	77	1.00	5.00	2.78	1.16	1.35	.20	.27	-.99	.54
INCL	77	1.00	5.00	2.98	1.11	1.23	-.16	.27	-.68	.54
CLIM	78	1.00	5.00	3.81	1.06	1.12	-.79	.27	-.18	.54
ADVA	78	1.00	5.00	3.42	1.22	1.49	-.46	.27	-.66	.54
POWE	77	1.00	5.00	3.70	1.05	1.10	-.98	.27	.43	.54

*Note.* LEAD - Leading Diversity, CAPI – Capitalising on Diversity , SUST – Sustainable Transformation, FAIR – Fair Practices, SYST – Systemising Diversity Management, MEAS – Diversity Measurement, CHAN – Diversity Change Management, CRED – Diversity Management Credibility, AFFI – Affirmative Development, COMP – Diversity Competence, INCL – Promoting Inclusiveness, CLIM – Inclusive Climate, ADVA – Perceived Advancement Opportunities, POWE – Perceived Power Distribution.

### 5.2.3 Item analysis of DMCQ

Internal consistency reliability refers to the notion that individual items (or sets of items) should consistently reflect the construct it is measuring (Field, 2009). More specifically,

internal consistency refers to the extent to which differences among the responses of individuals to one item are consistent with differences among their responses to other items within the same scale (Bacharach & Furr, 2008). Item analysis to test the internal consistency of the various scales was conducted on each of the eleven subscales, as well as the three DMO. A summary of the results of the item analyses of the DMCQ subscales and the DMO scales is shown in Tables 5.1 to 5.19. The DMCQ originally consisted of 99 items that related to each of the eleven subscales of Leading Diversity (LEAD), Capitalising on Diversity (CAPI), Sustainable Transformation (SUST), Fair Practices (FAIR), Systemising Diversity Management (SYST), Diversity Measurement (MEAS), Diversity Change Management (CHAN), Diversity Management Credibility (CRED), Affirmative Development (AFFI), Diversity Competence (COMP), and Promoting Inclusiveness (INCL). The DMO scales comprise the Inclusive Climate (CLIM) scale, the Perceived Advancement Opportunities (ADVA) scale, and the Perceived Power Distribution (POWE) scale.

One of the most common ways of measuring scale reliability is through the use of Cronbach's alpha (Field, 2009). Field (2009) proposes that a value of .7 to .8 is considered an acceptable value for Cronbach's alpha, whereas values significantly lower indicate an unreliable scale. The present study therefore made use of a Cronbach's alpha value of .7 as the criterion for acceptable reliability coefficients. In addition to the interpretation of Cronbach's alpha, a number of other guidelines were followed in order to determine the acceptability of the different items constituting the subscales, and the decision making regarding the retention or deletion of individual items. These guidelines imply investigating the strength of inter-item correlations and item-total correlations, as well as looking for extreme item means and changes in standard deviations if items are deleted.

#### **5.2.3.1. Leading Diversity**

The reliability coefficient for the Leading Diversity subscale revealed a satisfactory internal consistency,  $\alpha = .938$ , indicating that approximately 94% of the variance in the items was systematic score variance, whereas the remaining 6% could be ascribed to

random error variance. The analysis furthermore revealed that all items seemed to be worthy of retention. More specifically, deletion of any of the items did not lead to an increase in alpha and all items correlated with the total subscale to a satisfactory degree (lower  $r = .423$ ). None of the items had extreme means or considerably smaller standard deviations, and all items correlated satisfactorily with one another (mean inter-item correlation of .632). The results of the item analysis of the Leading Diversity subscale are presented in Table 5.2.

Table 5.2

*Reliability Analysis of the Leading Diversity Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
LEAD1	29.48	67.157	.781	.630	.930
LEAD2	28.84	68.426	.673	.611	.935
LEAD3	29.44	66.154	.807	.746	.928
LEAD4	29.38	65.885	.826	.740	.927
LEAD5	29.43	64.120	.734	.733	.933
LEAD6	29.38	61.788	.847	.809	.925
LEAD7	29.52	63.995	.740	.672	.933
LEAD8	29.08	64.913	.836	.793	.926
LEAD9	29.32	69.027	.667	.557	.936

Note. Reliability Coefficients

$N = 63$

N of Items = 9

Alpha = .938

**5.2.3.2 Capitalising on Diversity**

The reliability coefficient for the Capitalising on Diversity subscale revealed a good internal consistency,  $\alpha = .928$ . Additionally, all items appeared to be worthy of retention. In other words, deletion of any of the items did not lead to an increase in alpha and all

items correlated with the total subscale to a satisfactory degree (lower  $r = .452$ ). None of the items had extreme means or considerably smaller standard deviations, and all items correlated satisfactorily with one another (mean inter-item correlation of  $.618$ ). The results of the item analysis of the Capitalising on Diversity subscale are presented in Table 5.3.

Table 5.3

*Reliability Analysis of the Capitalising on Diversity Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CAP11	22.57	50.374	.766	.660	.917
CAP12	22.85	52.007	.729	.662	.920
CAP13	22.51	50.816	.807	.689	.914
CAP14	22.74	51.884	.728	.666	.920
CAP15	22.57	52.780	.706	.623	.922
CAP16	22.72	51.953	.769	.681	.917
CAP17	22.71	49.179	.784	.710	.916
CAP18	22.37	51.330	.739	.655	.920

*Note.* Reliability Coefficients

$N = 65$

$N$  of Items = 8

Alpha = .928

### 5.2.3.3 Sustainable Transformation

The reliability coefficient for the Sustainable Transformation subscale revealed an acceptable internal consistency,  $\alpha = .755$ . The inter-item correlation matrix revealed that items SUST3, SUST4 and SUST7 had low correlations with the rest of the items. The reason for these three items being problematic may be that they were negatively phrased; therefore the nature of the items deviated from the other items. Furthermore, deletion of items SUST3 and SUST4 would result in an increase in the Cronbach Alpha, as indicated

in Table 5.4. Deleting item SUST7 would, however, not result in an increase of the alpha. It was therefore decided to delete items SUST3 and SUST4, but to retain SUST7, since the number of items of the subscale was limited. The results of the item analysis of the Sustainable Transformation subscale after the deletion of the poor items are presented in Table 5.5.

Table 5.4

*Reliability Analysis of the Sustainable Transformation Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SUST1	21.78	21.189	.674	.682	.684
SUST2	21.88	19.794	.661	.791	.678
SUST3r	22.20	24.514	.221	.156	.782
SUST4r	21.88	25.381	.208	.240	.777
SUST5	22.08	21.629	.553	.673	.707
SUST6	21.41	21.070	.657	.501	.686
SUST7r	21.69	22.599	.415	.248	.737

*Note.* Reliability Coefficients

$N = 64$

N of Items = 7

Alpha = .755



Table 5.5

*Reliability Analysis of the Sustainable Transformation Subscale after elimination of poor items*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SUST1	14.99	13.627	.778	.658	.750
SUST2	15.06	12.146	.808	.761	.731
SUST5	15.29	13.644	.666	.608	.778
SUST6	14.59	14.276	.661	.459	.781
SUST7r	14.90	16.691	.271	.126	.889

*Note.* Reliability Coefficients

$N = 68$

$N$  of Items = 5

Alpha = .826

#### 5.2.3.4 Fair Practices

The examination of the items of the subscale Fair Practices revealed good internal consistency of  $\alpha = .877$ . The inter-item correlation matrix revealed that items FAIR5 and FAIR11 correlated lower with the rest of the items. Furthermore, these items had low corrected item-total correlations ( $r = .371$ ;  $r = .382$ ), as indicated in Table 5.6, which indicated a poor reflection of the latent variable construct. Deleting these two items would result in a substantial increase in the Cronbach Alpha, therefore the items were deleted. The results of the item analysis of the Fair Practices subscale, after excluding the poor items, are presented in Table 5.7.

Table 5.6

*Reliability Analysis of the Fair Practices Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FAIR1	36.68	54.607	.630	.601	.864
FAIR2	36.67	54.581	.736	.675	.857
FAIR3	36.84	56.620	.539	.496	.870
FAIR4	37.16	55.684	.548	.416	.870
FAIR5	37.17	57.663	.371	.300	.884
FAIR6	36.54	55.414	.709	.570	.860
FAIR7	36.81	53.931	.735	.661	.857
FAIR8	36.52	55.124	.710	.612	.859
FAIR9	36.41	58.988	.554	.468	.870
FAIR10	37.17	54.372	.692	.570	.860
FAIR11	37.41	57.440	.382	.324	.883

*Note.* Reliability Coefficients

$N = 63$

$N \text{ of Items} = 11$

$\text{Alpha} = .877$

Table 5.7

*Reliability Analysis of the Fair Practices Subscale after deleting poor items*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FAIR1	30.19	37.608	.674	.593	.878
FAIR2	30.17	37.953	.758	.671	.871
FAIR3	30.35	40.102	.519	.488	.891
FAIR4	30.67	38.613	.581	.405	.887
FAIR6	30.05	39.240	.678	.547	.878
FAIR7	30.32	37.575	.741	.655	.872
FAIR8	30.03	38.547	.719	.604	.875
FAIR9	29.92	41.558	.588	.447	.885
FAIR10	30.68	38.801	.626	.487	.882

*Note.* Reliability Coefficients*N* = 63

N of Items = 9

Alpha = .892

### 5.2.3.5 Systemising Diversity Management

The analysis of the items of subscale Systemising Diversity Management revealed that the scale had a good internal consistency of  $\alpha = .851$ , but also revealed that item SUST7 could be flagged as a problematic item. The inter-item correlation matrix revealed that SUST7 correlated relatively low with the other items (lower  $r = .084$ ). Furthermore, the deletion of the item would result in an increase of Cronbach's Alpha from .851 to .857, as revealed in Table 5.8. It was therefore decided to delete SYST7.

Table 5.8

*Reliability Analysis of the Systemising Diversity Management Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SYST1	22.37	27.805	.652	.599	.824
SYST2	22.50	30.569	.528	.437	.841
SYST3	22.29	27.621	.804	.785	.802
SYST4	22.88	27.869	.598	.589	.833
SYST5	22.27	29.103	.683	.586	.820
SYST6	22.40	30.049	.634	.558	.827
SYST7	22.10	31.422	.421	.503	.857

*Note.* Reliability Coefficients

$N = 52$

$N \text{ of Items} = 7$

$\text{Alpha} = .851$

Table 5.9

*Reliability Analysis of the Systemising Diversity Management Subscale after deleting poor item*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SYST1	18.33	21.871	.620	.506	.839
SYST2	18.46	24.293	.498	.342	.858
SYST3	18.25	20.936	.860	.768	.794
SYST4	18.85	20.799	.670	.578	.830
SYST5	18.23	22.573	.698	.586	.824
SYST6	18.37	24.197	.565	.448	.847

*Note.* Reliability Coefficients

$N = 52$

$N$  of Items = 6

Alpha = .857

### 5.2.3.6 Diversity Measurement

The reliability coefficient for the Diversity Measurement subscale indicated that the subscale had good internal consistency of  $\alpha = .961$ . The analysis additionally revealed that all items seemed worthy of retention, because none of the items led to an increase of alpha if item deleted. All items correlated substantially with the total subscale (lower  $r = .716$ ). None of the items had extreme means or considerably smaller standard deviations, and all items correlated satisfactorily with one another (mean inter-item correlation of .475). The results of the item analysis of the Diversity Measurement subscale are presented in Table 5.10.

Table 5.10

*Reliability Analysis of the Diversity Measurement Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
MEAS1	29.57	117.208	.757	.680	.959
MEAS2	30.02	116.562	.716	.700	.961
MEAS3	30.22	116.053	.853	.874	.956
MEAS4	30.06	112.517	.876	.904	.955
MEAS5	29.94	116.642	.826	.796	.957
MEAS6	29.80	117.624	.796	.779	.958
MEAS7	29.63	118.154	.795	.774	.958
MEAS8	29.96	118.832	.756	.755	.959
MEAS9	29.92	116.702	.870	.832	.956
MEAS10	30.02	117.687	.853	.794	.956
MEAS11	30.04	114.207	.884	.841	.955

*Note.* Reliability Coefficients

$N = 49$

$N$  of Items = 11

Alpha = .961

### 5.2.3.7 Diversity Change Management

The item analysis of the Diversity Change Management subscale revealed good internal consistency of  $\alpha = .969$ , which means that approximately 97% of the variance in the items was systematic score variance and only about 3% was due to random error variance. Subsequently, there was an absence of extreme means and small standard deviations and a high correlation between the items were found (mean inter-item correlation = .761). Additionally, it was found that the Cronbach's alpha would not increase if any of the items were deleted, as indicated in Table 5.11. All the items were therefore retained.

Table 5.11

*Reliability Analysis of the Diversity Change Management Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CHAN1	24.23	103.513	.820	.744	.967
CHAN2	24.30	103.945	.825	.771	.967
CHAN3	24.48	100.887	.912	.854	.964
CHAN4	24.56	101.684	.868	.809	.965
CHAN5	24.48	101.187	.868	.849	.965
CHAN6	24.54	102.386	.881	.854	.965
CHAN7	24.69	102.518	.890	.834	.965
CHAN8	24.69	99.482	.831	.759	.967
CHAN9	24.44	102.617	.842	.778	.966
CHAN10	24.64	103.401	.840	.780	.966

*Note.* Reliability Coefficients

$N = 61$

$N$  of Items = 10

Alpha = .969

### 5.2.3.8 Diversity Management Credibility

The reliability coefficient of the Diversity Management Credibility subscale revealed good internal consistency of  $\alpha = .968$ . All ten items indicated high correlation with one another (mean inter-item correlation = .753). Deleting any of the items would not result in an increase of the Cronbach's alpha and therefore all the items were retained. Table 5.12 reveals the item-total statistics of the Diversity Management Credibility subscale.

Table 5.12

*Reliability Analysis of the Diversity Management Credibility Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CRED1	27.82	87.230	.866	.794	.964
CRED2	27.87	87.622	.887	.817	.963
CRED3	27.81	87.634	.864	.811	.964
CRED4	27.77	87.719	.863	.813	.964
CRED5	27.74	86.686	.895	.878	.963
CRED6	27.73	87.350	.881	.858	.963
CRED7	27.55	88.121	.847	.768	.964
CRED8	28.18	88.083	.771	.714	.967
CRED9	87.342	87.342	.801	.689	.966
CRED10	85.279	85.279	.849	.802	.964

*Note.* Reliability Coefficients

$N = 62$

$N$  of Items = 10

Alpha = .968

### 5.2.3.9 Affirmative Development

The item analysis of the Affirmative Development subscale revealed that the subscale had satisfactory internal consistency ( $\alpha = .868$ ). Analysing the item statistics revealed that item AFFI5 had a substantial lower mean than the other items. Additionally, the inter-item correlation matrix indicated that AFFI5 correlated lower with the remainder of the items. AFFI5 was therefore flagged as a problematic item. The item-total statistics, as revealed in Table 5.13, shows that deletion of item AFFI5 would increase the alpha from .868 to .807. Item AFFI5 was therefore not retained.



Table 5.13

*Reliability Analysis of the Affirmative Development Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
AFFI1	20.75	33.953	.672	.512	.845
AFFI2	20.93	32.504	.790	.698	.829
AFFI3	20.70	34.688	.633	.493	.850
AFFI4	20.67	32.023	.756	.679	.833
AFFI5	21.25	37.275	.331	.225	.897
AFFI6	20.53	34.592	.713	.723	.841
AFFI7	20.47	34.795	.694	.665	.844

*Note.* Reliability Coefficients

*N* = 60

*N* of Items = 7

Alpha = .868

Table 5.14

*Reliability Analysis of the Affirmative Development Subscale after item deletion*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
AFFI1	17.50	28.223	.620	.442	.899
AFFI2	17.71	26.454	.776	.686	.875
AFFI3	17.47	27.822	.662	.528	.893
AFFI4	17.47	25.545	.783	.702	.874
AFFI6	17.35	27.061	.794	.742	.874
AFFI7	17.27	27.617	.749	.690	.880

*Note.* Reliability Coefficients

$N = 66$

$N$  of Items = 6

Alpha = .900

### 5.2.3.10 Diversity Competence

The Diversity Competence subscale had good internal consistency ( $\alpha = .967$ ). This indicated that only approximately 3% of the variance in the items was due to random error variance. The item statistics indicated the absence of extreme means and small standard deviations, which signalled the absence of poor items. The items correlated well with one another, with the mean inter-item correlation being  $r = .748$ . Observing the item-total statistics, shown in Table 5.15, indicates that the Cronbach Alpha would increase slightly, from .967 to .968, if item COMP9 were deleted. This increase is not substantial, however, and therefore item COMP9 was retained, together with all the rest of the items of the Diversity Competence subscale.

Table 5.15

*Reliability Analysis of the Diversity Competence Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
COMP1	23.75	100.710	.805	.874	.965
COMP2	23.88	101.417	.862	.908	.963
COMP3	23.54	101.425	.806	.807	.965
COMP4	23.66	101.297	.855	.845	.963
COMP5	23.69	99.698	.911	.871	.961
COMP6	23.54	101.080	.850	.840	.963
COMP7	23.69	99.457	.933	.908	.960
COMP8	23.93	100.340	.912	.879	.961
COMP9	23.59	103.349	.727	.650	.968
COMP10	23.76	102.563	.834	.779	.964

*Note.* Reliability Coefficients

$N = 59$

$N$  of Items = 10

Alpha = .967

### 5.2.3.11 Promoting Inclusiveness

The reliability coefficient of the Promoting Inclusiveness scale revealed good internal consistency ( $\alpha = .938$ ). No extreme means and small standard deviations were revealed in the item statistics. The inter-item correlation matrix did, however, reveal that item INCL4 and item INCL5 showed lower correlation with the other items. Additionally, the Cronbach's alpha increased when INCL4 and INCL5 were deleted, as indicated in Table 5.16. Items INCL4 and INCL5 therefore were poor items. The reason for this may be that these items did not specifically relate to diversity within the workplace. The items (i.e. 'Supplies information in a manner and format that are accessible to all employees' and 'Facilitate employee-socialisation') were therefore too general in nature and were

therefore deleted. Table 5.17 indicates the internal consistency of the items after the poor items are deleted.

Table 5.16

*Reliability Analysis of the Promoting Inclusiveness Subscale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
INCL1	24.34	69.362	.755	.695	.931
INCL2	23.94	67.280	.849	.816	.925
INCL3	24.06	66.832	.882	.847	.923
INCL4	24.03	72.596	.594	.499	.940
INCL5	23.74	73.481	.520	.388	.944
INCL6	24.51	67.686	.866	.811	.925
INCL7	24.71	68.718	.716	.717	.933
INCL8	24.57	67.144	.878	.854	.924
INCL9	24.22	66.563	.834	.781	.926

*Note.* Reliability Coefficients

$N = 68$

N of Items = 9

Alpha = .938

Table 5.17

*Reliability Analysis of the Promoting Inclusiveness Subscale after item deletion*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
INCL1	17.57	46.397	.777	.680	.948
INCL2	17.18	45.759	.800	.742	.946
INCL3	17.29	44.599	.888	.841	.939
INCL6	17.75	45.086	.888	.809	.939
INCL7	17.94	45.698	.745	.713	.951
INCL8	17.81	44.635	.899	.847	.938
INCL9	17.46	44.252	.847	.778	.942

*Note.* Reliability Coefficients

$N = 68$

$N \text{ of Items} = 7$

$\text{Alpha} = .951$

### 5.2.4 Item analysis of DMO scales

Item analyses were conducted on all DMO scales. Item analysis was performed through the SPSS reliability procedure (IBM SPSS Statistics 19.0, 2010) to identify and eliminate possible items that were not contributing to an internally consistent description of the latent diversity management competencies measured by the subscales in question.

#### 5.2.4.1 Inclusive Climate

The Inclusive Climate scale had good internal consistency ( $\alpha = .968$ ). The items of this scale correlated highly with one another, with the lowest correlation being .671. The Cronbach's alpha did not increase if any one of the items was deleted. All the items were therefore retained. The item-total statistics of the Inclusive Climate scale are indicated in Table 5.18.

Table 5.18

*Reliability Analysis of the Inclusive Climate Scale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CLIM1	29.50	71.760	.833	.725	.966
CLIM2	29.69	72.546	.818	.731	.966
CLIM3	29.74	69.125	.858	.794	.965
CLIM4	29.93	70.256	.852	.787	.965
CLIM5	29.76	72.214	.869	.837	.964
CLIM6	29.91	72.443	.839	.801	.966
CLIM7	29.61	69.858	.909	.873	.962
CLIM8	29.86	69.132	.871	.803	.964
CLIM9	29.68	69.181	.931	.888	.961

Note. Reliability Coefficients

$N = 74$

N of Items = 9

Alpha = .968

#### 5.2.4.2 Perceived Advancement Opportunities

The item analysis of the Perceived Advancement Opportunities scale indicated good internal consistency ( $\alpha = .930$ ). The item statistics revealed the absence of extreme means and small standard deviations. As indicated in Table 5.19, the Cronbach's alpha would not increase substantially if any of the items were deleted. It was therefore decided to retain all the items.

Table 5.19

*Reliability Analysis of the Perceived Advancement Opportunities Scale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ADVA1	18.88	28.875	.758	.599	.921
ADVA2	19.00	28.822	.776	.712	.919
ADVA3	19.24	27.967	.825	.697	.913
ADVA4	19.26	28.495	.738	.618	.924
ADVA5	19.30	26.732	.865	.796	.907
ADVA6	19.12	27.588	.808	.673	.915

*Note.* Reliability Coefficients

$N = 74$

$N$  of Items = 6

Alpha = .930

#### 5.2.4.3 Perceived Power Distribution

The reliability coefficient of the Perceived Power Distribution scale was .959, which indicated good internal consistency. The items correlate highly with one another (mean inter-item correlation = .824), with the lowest inter-item correlation being .751. Deleting any of the items would not result in an increase of the Cronbach alpha, as indicated in Table 5.20. All the items were therefore retained.

Table 5.20

*Reliability Analysis of the Perceived Power Distribution Scale*

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
POWE1	13.65	23.053	.898	.865	.946
POWE2	13.59	23.258	.909	.903	.945
POWE3	13.59	23.094	.905	.909	.945
POWE4	13.92	23.199	.860	.868	.953
POWE5	13.89	23.084	.849	.861	.955

Note. Reliability Coefficients

$N = 74$

N of Items = 5

Alpha = .959

### 5.2.5 Summary of item analyses

The item analysis revealed that the DMCQ and the DMO scales were internally consistent measurements of the constructs that they proposed to measure. After eliminating the poor items, the scales could be administered to other samples to determine their generalisability. Table 5.21 provides a summary of Cronbach's Alphas of the subscales after poor items were deleted.



Table 5.21

*Reliabilities of subscales after poor items were deleted*

Subscale	$\alpha$
LEAD	.938
CAPI	.928
SUST	.826
FAIR	.892
SYST	.857
MEAS	.961
CHAN	.969
CRED	.968
AFFI	.900
COMP	.967
INCL	.951
CLIM	.968
ADVA	.930
POWE	.959

### 5.3 TESTING HYPOTHESES

This section of Chapter 5 presents the results for the hypotheses of this study. The hypotheses of the study were developed with reference to organisations as the units of analysis. The individual responses of employees from the same company were therefore aggregated by taking the mean and their mean responses were used to represent the score of the company.

The descriptive statistics of the data on the organisational unit of analysis will be presented, before the testing of the assumptions underlying bivariate analysis is discussed. This chapter is concluded by testing the hypotheses.

#### 5.3.1 Descriptive statistics

Prior to conducting the correlation analysis, the univariate descriptive statistics of the variables were calculated. These statistics were based on the organisational unit of analysis. The descriptive statistics are presented in Table 5.22.

Table 5.22

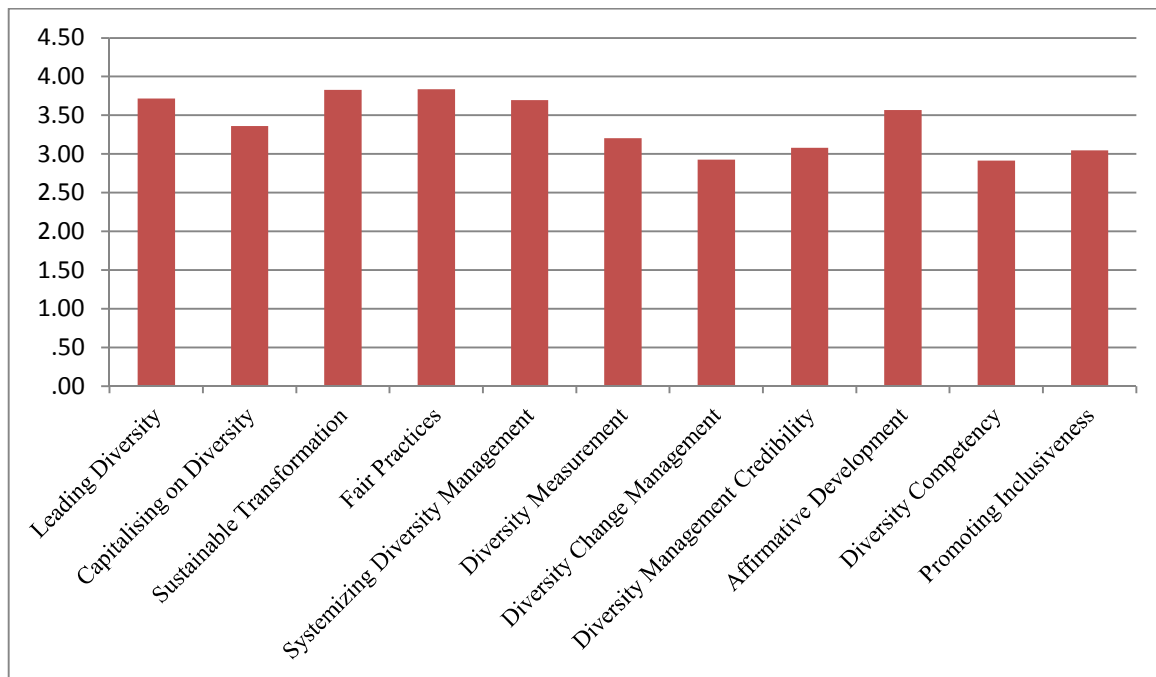
*Analysis of Univariate Descriptives for subscales prior to multivariate analysis*

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
LEAD	33	1.83	5.00	3.72	.78	-.38	.41	-.26	.80
CAPI	33	1.28	5.00	3.36	.82	-.28	.41	.31	.80
SUST	33	1.80	5.00	3.83	.80	-1.01	.41	.67	.80
FAIR	33	1.67	5.00	3.84	.69	-1.03	.41	2.08	.80
SYST	33	2.33	5.00	3.70	.86	-.27	.41	-1.13	.80
MEAS	33	1.45	5.00	3.20	.97	-.25	.41	-.67	.80
CHAN	33	1.10	4.90	2.93	1.04	.02	.41	-.62	.80
CRED	33	1.00	5.00	3.08	1.03	-.50	.41	.10	.80
AFFI	33	1.50	5.00	3.57	.94	-.68	.41	-.06	.80
COMP	33	1.00	5.00	2.92	.97	-.04	.41	-.42	.80
INCL	33	1.00	5.00	3.05	.99	-.27	.41	.04	.80
CLIM	33	1.22	5.00	3.84	.86	-1.31	.41	2.14	.80
ADVA	33	1.00	5.00	3.89	.90	-1.53	.41	2.92	.80
POWE	32	1.00	5.00	3.37	1.06	-.59	.41	-.35	.81
PROD	33	2.00	4.88	3.71	.71	-.62	.41	.38	.80
ADAP	33	1.99	5.00	3.60	.79	-.13	.41	-.61	.80
CAPA	33	2.11	5.00	3.56	.71	.00	.41	-.29	.80
MARK	33	1.29	5.00	3.67	.86	-.50	.41	.50	.80
GROW	33	1.00	5.00	3.45	.82	-.78	.41	2.03	.80
Valid N (listwise)	32								

*Note.* LEAD - Leading Diversity, CAPI – Capitalising on Diversity, SUST – Sustainable Transformation, FAIR – Fair Practices, SYST – Systemising Diversity Management, MEAS – Diversity Measurement, CHAN – Diversity Change Management, CRED – Diversity Management Credibility, AFFI – Affirmative Development, COMP – Diversity Competence, INCL – Promoting Inclusiveness, CLIM – Inclusive Climate, ADVA – Perceived Advancement Opportunities, POWE – Perceived Power Distribution.

Figure 5.1 provides a graphic portrayal of the level of competence of the sampled companies on the different DMCs. More specifically, the graph indicates the mean statistic of the sampled companies on each of the subscales of the DMCQ. The graph

portrays that the sampled companies are most competent in the competencies of Sustainable Transformation and Fair Practices. These competencies emphasise the focus of South African companies on complying with labour legislation. The sampled companies had the lowest mean scores on Diversity Change Management and Diversity Competence.



*Figure 5.1.* Mean score of sampled companies on DMCs.

### 5.3.2 Assumptions underlying bivariate statistical analysis

One of the main objectives of research is to provide valid inferences from the available sample data to some larger population. One cannot expect, however, that any random sample from a population will yield sample values that are exactly equal to the population values. To address this issue, statistical methods that have been developed make it possible to determine the confidence with which such inferences can be drawn. The two most commonly used methods of statistical inference are estimation of population values using confidence intervals and testing statistical hypotheses (Blumberg et al., 2008). The present study used hypothesis testing to test the assumptions underlying bivariate procedures.

Prior to running the main analysis of a study, it is essential to carefully examine the data (Tabachnick & Fidell, 2001). Careful data examination includes evaluating the impact of missing data, identifying outliers and testing the assumptions underlying bivariate techniques (Anderson, Babin, Black, & Hair, 2010). It is essential to test the assumptions underlying multivariate procedures since violation of these can lead to flawed conclusions (Anderson, Babin, Black, & Hair, 2010; Tabachnick & Fidell, 2001; Field, 2009). All the assumptions underlying multivariate procedures addressed in the present study are discussed in the subsequent paragraphs. A number of issues are therefore attended to in order to assure an honest analysis of the collected data before the main analysis was initiated (Tabachnick & Fidell, 2001). The specific issues that are addressed are:

1. the accuracy of data entered into the data file;
2. missing values;
3. ratio of cases to independent variables;
4. outliers (univariate and multivariate);
5. normality, linearity and homoscedasticity; and
6. multicollinearity and singularity.

The critical assumptions and decision rules that were adopted in this study *a priori* to testing each assumption are discussed first. The results of our comparison of the present data set to these assumptions are presented subsequently.

### **5.3.2.1 Accuracy of Data File and Missing Values**

To assure accuracy of the data file, a random sample of ten percent of cases was selected and the responses from the primary source documents (i.e., questionnaires) were compared to the data entered into the computerised data file. No (0%) coding errors were identified. Additionally, to screen for potential miscoding, frequency statistics were requested (using the SPSS FREQUENCY procedure) (IBM SPSS Statistics 19.0, 2010) for each of the items and scrutinised in terms of minimum and maximum values, means and standard deviations. No problematic items were found, since all of the items showed

values that fell within the possible range of values. The data set was therefore deemed acceptable for further inspection.

The issue of missing data in the data set was addressed subsequently. In data analysis, missing data present a pervasive problem (Tabachnick & Fidell, 2001) and can cause serious problems. Its severity depends on the amount of missing data, the reasons for the missing data, and most importantly, the patterns of missing data (Tabachnick & Fidell, 2001). In the current study, the issue of missing data was evaluated through SPSS MVA, a missing values analysis (MVA) application (IBM SPSS Statistics 19.0, 2010).

There are different ways to deal with missing data. These include, amongst others, deletion of cases or variables with missing values and the estimation (imputation) of missing values (Tabachnick & Fidell, 2001). The suitability of each technique in dealing with missing values depends on various elements (e.g., the amount of missing values and the distribution of missing values across cases and variables) (Tabachnick & Fidell, 2001) that are outside of the scope of the present research.

In the present research study, a visual observation of the data set revealed that case 5 had not completed ten of the subscales of the combined questionnaire. It was therefore decided to delete this case. The only other case that contained a missing variable value was that of case 6, which did not have a score for the *Perceived Power Distribution* scale. This case was not deleted, but the data of the case was used for all the other variable relationships.

### **5.3.2.2 Ratio of Cases to Independent Variables**

Determination of sample size is necessary in research in order to achieve adequate precision of the estimate (Blumberg, Cooper, & Schindler, 2008). When planning the present study, *a priori* estimation of desired sample size was used to determine the minimum sample size required for adequate statistical power. The required sample size depends on a number of different things, including, the desired power, alpha level, number of predictors, and expected effect sizes (Tabachnick & Fidell, 2001).

A simple rule of thumb when calculating the required sample size for the testing of a multiple correlation coefficient is  $N \geq 50 + 8m$  (where  $m$  is the number of independent variables), and  $N \geq 104 + m$  for testing individual predictors in the model. In these equations, the standard conventional alpha level and medium-size relationships between the independent and dependent variables were assumed, i.e.,  $\alpha = .05$  and  $\beta = .20$ . In the present study there was only one independent variable, namely DMC. Since the multiple correlation coefficient was to be tested in this study, a sample size of  $N = 58$  was required.

To determine a more precise required sample size, the power analysis programme G\*Power (Version 3.1.5) was used. The *a priori* power analysis revealed that a sample size of  $N = 25$  was required at a bivariate correlation of .600,  $\alpha = .05$  and power of .95. This, surprisingly, was smaller than previous suggestions in the literature. The sample size of the current study ( $N = 33$ ) was therefore sufficient.

### 5.3.2.3 Outliers

An outlier is a case with such an extreme value on one variable or such a strange combination of scores on two or more variables that it unduly alters analysis statistics results (Tabachnick & Fidell, 2001). An outlier, in other words, is a score that is very different from the rest and consequently biases the mean and inflates the standard deviation (Field, 2009). Two different types of outliers can be found, i.e., univariate and multivariate outliers. Whereas univariate outliers are cases with extreme values on one variable, multivariate outliers are cases with an abnormal combination of scores on two or more variables (Tabachnick & Fidell, 2001).

Univariate outliers were detected by inspecting the standardised normal scores (z-scores) of each variable. Cases with standardised scores greater than |3.29| (i.e.,  $p < .001$ ) were identified as significant outliers (Field, 2009), but as none of the standardised scores were greater than 3.29, no univariate outliers were found.

To identify bivariate outliers, Cook's distance and Mahalanobis distance, were investigated. These two statistics provide information on the extent to which a case

influences the parameter estimate of the linear relationship (Field, 2009). Cook's distance is a measure of the overall influence of a case on the model, by which values greater than 1 indicate problematic cases. Observing Cook's distance for the present study's cases revealed no value greater than 1 and therefore no problematic cases. The Mahalanobis distance statistic was subsequently inspected. This represents the distance of cases from the mean of the predictor variable (Field, 2009). The critical  $\chi^2$ -value for one degree of freedom, at  $p < .001$ , is 10.828. The statistics, however, revealed that the highest Mahalanobis score was 4.520. No multivariate outliers were therefore found.

#### **5.3.2.4 Normality, Linearity and Homoscedasticity**

Normality is the most fundamental assumption underlying multivariate statistical analysis (Anderson, Babin, Black, & Hair, 2010). It is the assumption that the data distribution for each variable, and all linear combinations of the variables, are normally distributed (Anderson et al., 2010; Tabachnick & Fidell, 2001). The residuals of analysis are also normally distributed and independent when this assumption is met (Tabachnick & Fidell, 2001). Bradley (as cited in Tabachnick & Fidell, 2001) states that statistical inferences become less and less robust as distributions depart from normality. Even when statistics are used solely descriptively, normality, linearity, and homoscedasticity of variables enhance the analysis. It is therefore recommended that the normality of variables be improved, unless one can find a credible reason not to do so (Tabachnick & Fidell, 2001).

Normality of variables can be assessed by means of different methods. The present study firstly observed the histograms of the different variables visually; secondly, skewness and kurtosis values were assessed and, lastly, the Kolmogorov-Smirnov test was conducted. The evidence gained from all three methods was used to make a final decision on the normality of the variable distributions.

Figures 5.2 to 5.6 provide a graphic portrayal of the data distribution of the five variables. From visual observation, the data seems relatively normally distributed. However, the distribution of the *perceived advancement opportunities* data indicates that the lower values were somewhat isolated from the rest of the values. The data of the *perceived advancement opportunities* scale may therefore not be entirely normal.

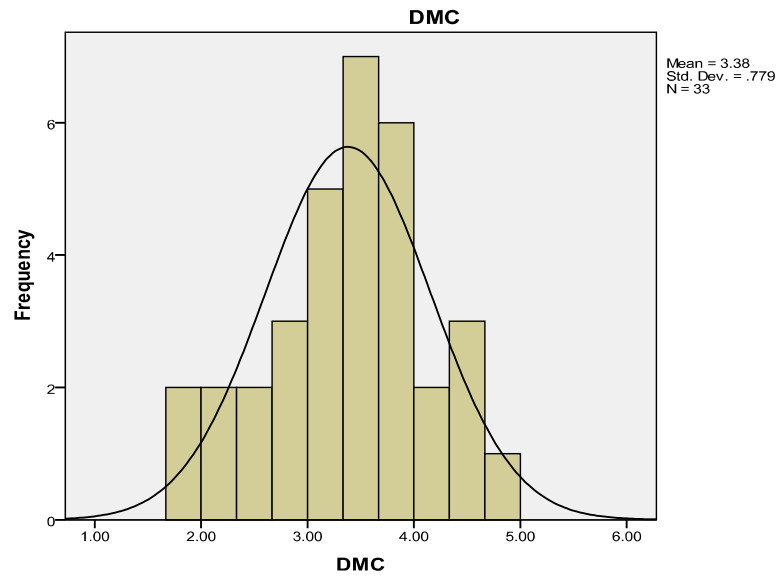


Figure 5.2. Data distribution of Diversity Management Competency variable

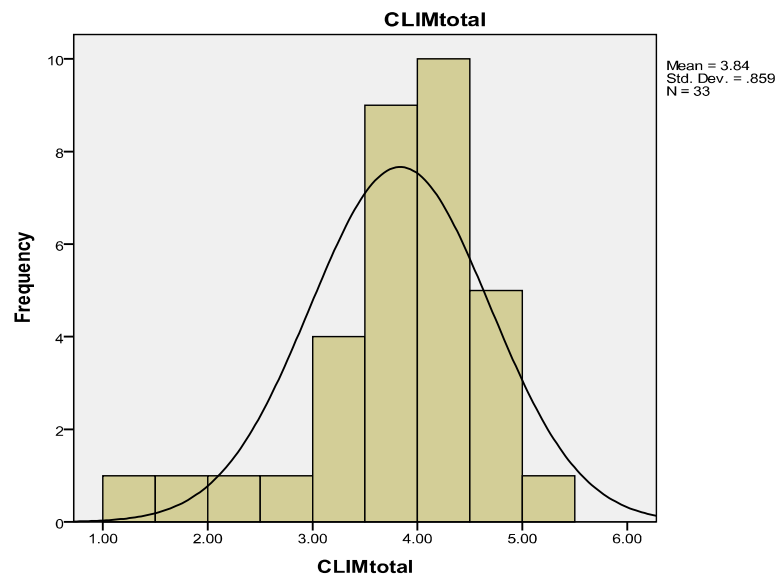


Figure 5.3. Data distribution of Inclusive Climate variable



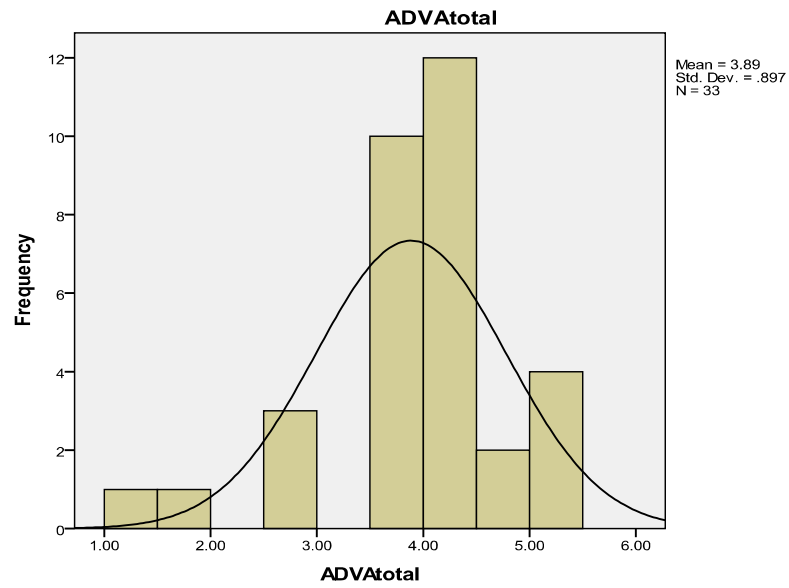


Figure 5.4. Data distribution of Perceived Advancement Opportunities variable

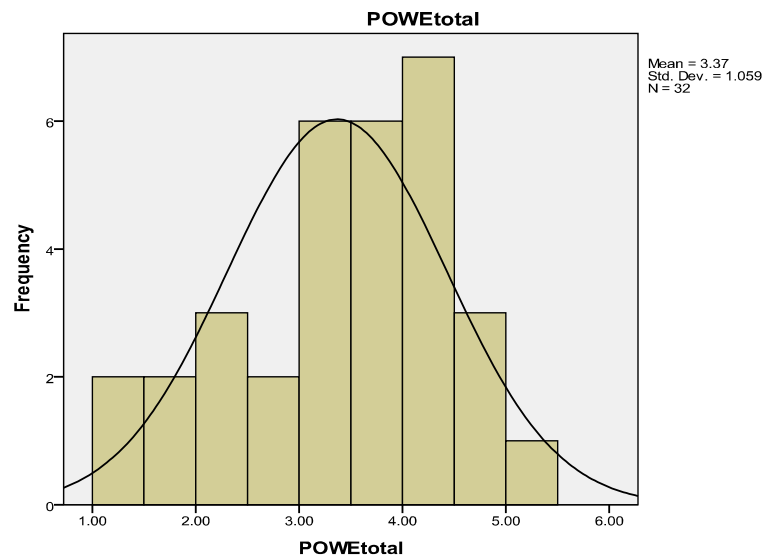


Figure 5.5. Data distribution of Perceived Power Distribution variable

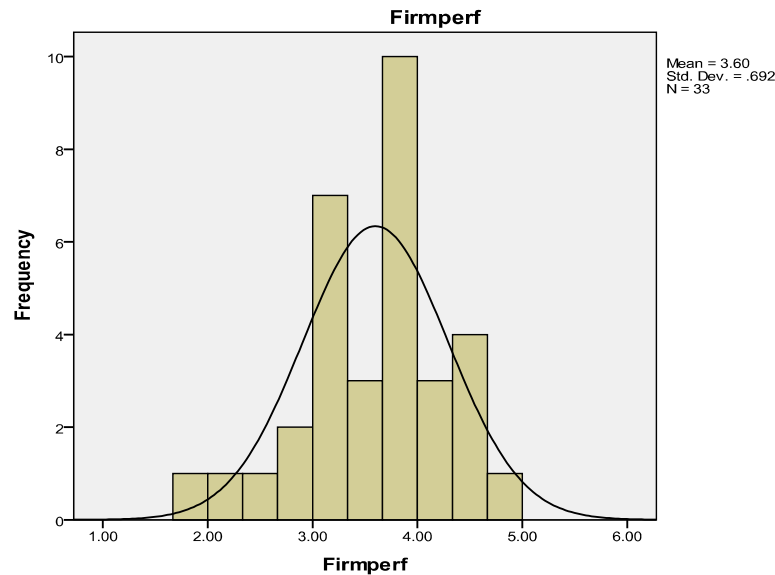
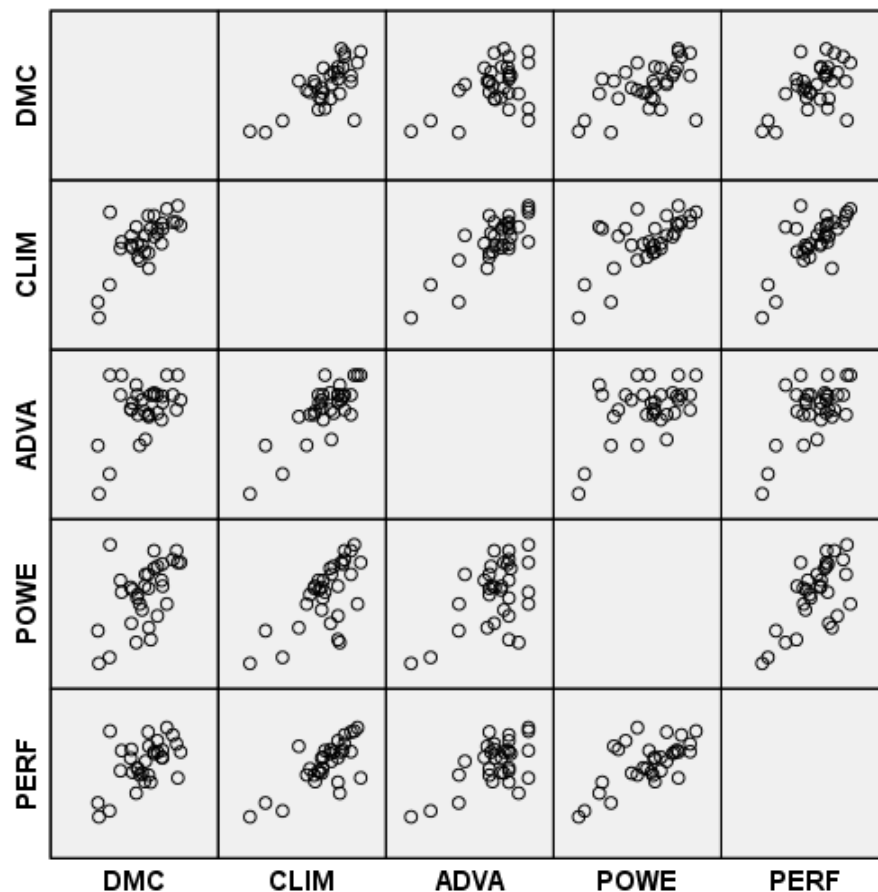


Figure 5.6. Data distribution of Firm Performance variable

Skewness and kurtosis values were subsequently assessed. The values of skewness and kurtosis should be zero to indicate a normal distribution, whereas the further the values are from zero, the more likely it is that the distribution is not normal (Field, 2009). The *Perceived Advancement Opportunities* scale revealed a skewness statistic of -1.529 and a kurtosis statistic of 2.920. Computing these scores to standardised scores revealed that the *Perceived Advancement Opportunities* data were significantly negatively skewed and therefore non-normal. The other variable data sets did not reveal significant skewness and kurtosis scores.

Lastly, the data were tested by applying the Kolmogorov-Smirnov test that tests the null hypothesis that a sample comes from a particular (i.e., normal, in this case) distribution. A significance value of  $p > .05$  indicates a distribution that is not significantly different from a normal distribution, i.e., it is probably normal. If the test, on the other hand, is significant ( $p < .05$ ) it means that the distribution of variables deviates significantly from that of a normal distribution, i.e., it is non-normal. The Kolmogorov-Smirnov test revealed that the *Perceived Advancement Opportunities* data,  $D(33) = .20$ ,  $p < .05$  was significantly non-normal. The data of all the other variables indicated normal distributions.

Linearity is the assumption that there is a straight-line relationship between two variables, with one or both of the variables being a combination of several variables (Tabachnick & Fidell, 2001). The most common way to test for linearity is to inspect bivariate scatterplots (Anderson, Babin, Black, & Hair, 2010). A strong, oval-shaped, organisation of dots along a straight line typifies a linear relationship or correlation (Anderson et al., 2010; Tabachnick & Fidell, 2001). All possible bivariate scatterplots of the variables in this study were therefore examined, by means of visual inspection, to verify that linearity existed. The scatterplots, as indicated in Figure 5.7, revealed the existence of a linear relationship between the variables.



*Figure 5.7.* Matrix scatterplot of bivariate relationships between DMC, inclusive climate, perceived advancement opportunities, perceived power distribution, and firm performance.

The assumption of homoscedasticity for ungrouped data, as in the present study, holds that dependent variable(s) exhibit approximately equal levels of variance across the range of predictor variable(s) (Anderson et al., 2010). This assumption is related to that of normality, because when the assumption of bivariate or multivariate normality is met, homoscedasticity is found between the variables (Tabachnick & Fidell, 2001). In order to assess homoscedasticity, the bivariate scatterplots for all possible variable pairs were again investigated by means of visual inspection. The scatterplots revealed relatively equal levels of variance. The scatterplot of the DMC and Perceived Advancement Opportunities (ADVA) variables did however reveal a slight homoscedastic distribution.

### **5.3.2.5 Multicollinearity and Singularity**

Multicollinearity and singularity are problems that occur when predictor variables are too highly correlated (Field, 2009; Tabachnick & Fidell, 2001). Multicollinearity occurs when variables are very highly correlated (.90), and singularity refers to when variables are perfectly correlated and one of the variables is a combination of one or more of the other variables (Tabachnick & Fidell, 2001). If variables are therefore multicollinear or singular, they do not contain any additional information that is needed in the analysis, but the correlation matrix in effect contains fewer variables than initially expected (Tabachnick & Fidell, 2001). Since only one variable is considered as the predictor variable in this study, multicollinearity and singularity were not relevant. Furthermore, the multicollinearity and singularity is only a problem when regression analysis is conducted. Since the sample size of the present study was too small, regression analysis was not possible.

### **5.3.3 Correlation analysis**

The data screening presented above resulted in a data set that met the assumptions underlying statistical analyses, except for the subscale of Perceived Advancement Opportunities, which revealed a non-normal distribution. It was however decided not to transform the data, but to take the non-normal distribution into consideration when interpreting the results. The subscale total scores were subsequently created for each variable by computing unweighted linear composite (mean) scores for each scale. The

next step was to test the hypotheses formulated in Chapter 3 with the use of the correlational analysis technique. Correlational analysis was used to measure the associations between the variables of Diversity Management Competency (DMC), the DMO of Inclusive Climate, Perceived Advancement Opportunities and Perceived Power Distribution, and Firm Performance.

Considerable caution should be exercised when interpreting correlation coefficients because they do not indicate causality or the direction of it. Causality between two variables cannot be assumed because of the possible existence of other variables affecting the results. Also, the direction of causality is not indicated through a correlation coefficient and therefore the predictor of a relationship cannot be determined (Field, 2009).

The Pearson product-moment correlation coefficient,  $r$ , is the most frequently used measure of association (Tabachnick & Fidell, 2001). It is a standardised covariance of two interval variables (Thompson, 2006). The coefficient ranges from -1.00 to +1.00, where +1.00 indicates a perfect positive correlation and -1.00 indicates a perfect negative relationship (Field, 2009; Thompson, 2006). A Pearson correlation coefficient of .00 indicates that there is no relationship between the variables (Field, 2009). When using the Pearson correlation coefficient, it is assumed that the distribution of the data is normal (Field, 2009). The coefficient can therefore only be used on normally distributed data.

Spearman's correlation coefficient,  $r_s$ , can, however, be used with data that are not normally distributed (Field, 2009). Spearman's test involves first ranking the data and then applying Pearson's equation to the ranks (Field, 2009). Spearman's correlation coefficient thus is the Pearson correlation coefficient of two variables if the variables are expressed as ranks (Thompson, 2006). Spearman's correlation coefficient will therefore be used when evaluating association with the Perceived Advancement Opportunities sale data.

Cohen (1988) proposed a convention regarding what constitutes a small or large effect, as indicated in Table 5.23. This widely used convention on effect strength was also used in the current study to interpret the magnitude of the correlation coefficients.

Table 5.23

*Cohen's Interpretation of the Magnitude of Significant  $r$*

Correlation	Negative	Positive
Small	–0.3 to –0.1	0.1 to 0.3
Medium	–0.5 to –0.3	0.3 to 0.5
Large	–1.0 to –0.5	0.5 to 1.0

*Note.* Adapted from “*Statistical Power Analysis for the Behavioral Sciences* (2<sup>nd</sup> ed.),” by J. Cohen, 1988, Hillsdale, NJ: Lawrence Erlbaum Associates.

The testing of hypotheses one to seven is discussed in the subsequent paragraphs by firstly interpreting the correlation coefficients (one-tailed) presented in Table 5.24. The Pearson correlation coefficient was used to test hypotheses one, two, four, five and seven, and Spearman's correlation coefficient was used to inspect hypothesis three and six. The distinction between the correlation coefficients was made because the data of the Perceived Advancement Opportunities variable were not normally distributed. Secondly, the significance levels of the correlation coefficients were inspected. Lastly, the squared correlation coefficients,  $r^2$ , which indicates how much of the variability in one variable is explained by the other, are interpreted. Figure 5.2 graphically presents the intercorrelations between the study variables. The intercorrelations for all the subscales and scales are presented in Table 5.25.

Table 5.24

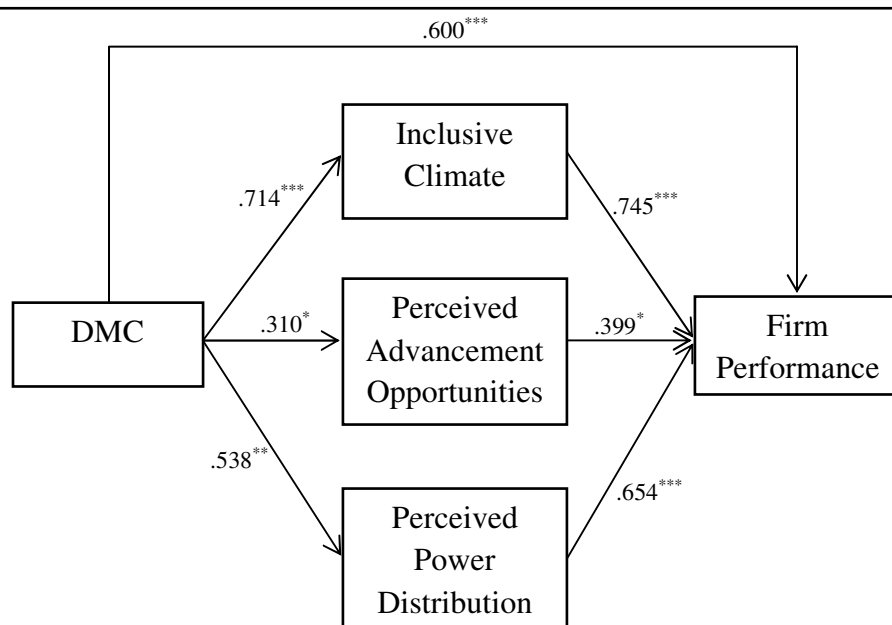
*Descriptive Statistics and Intercorrelations (Pearson and Spearman correlation coefficients) of Study Variables*

Variable	M	SD	$\alpha$	1.	2.	3.	4.
1. DMC	3.38	.78	.991 <sup>a</sup>				
2. CLIM	3.84	.86	.968	.714*** (.654***)			
3. ADVA	3.89	.90	.930	.480** (.310*)	.818*** (.690***)		
4. POWE	3.37	1.06	.959	.538** (.525**)	.665*** (.610***)	.518** (.321*)	
5. PERF	3.60	.69	.966 <sup>a</sup>	.600*** (.486**)	.745*** (.636***)	.615*** (.399*)	.654*** (.502**)

*Note.* DMC = Diversity Management Competency; CLIM = Inclusive Climate; ADVA = Perceived Advancement Opportunities; POWE = Perceived Power Distribution; PERF = Firm Performance. The correlations are Pearson product-moment coefficients, but Spearman's correlation coefficients are indicated in parentheses.  $N = 33$ , except for POWE,  $N = 32$ .

<sup>a</sup>Composite reliability.

\*  $p < .05$ , one-tailed. \*\*  $p < .01$ , one-tailed. \*\*\*  $p < .001$ , one-tailed.



*Figure 5.8.* Intercorrelations between study variables. The values depicted in the diagram are correlations and not path coefficients. Spearman's correlation coefficient was used for the intercorrelation with Perceived Advancement Opportunities.

\*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ .

Table 5.25

*Intercorrelations between Diversity Management Competency (DMC), Diversity Management Outcomes (DMO), Firm Performance (PERF) and their subscales*

Variables	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.	19.	20.	21.
1. LEAD	-																				
2. CAPI	.848***	-																			
3. SUST	.545**	.592***	-																		
4. FAIR	.579***	.621***	.742***	-																	
5. SYST	.669***	.637***	.750***	.645***	-																
6. MEAS	.788***	.775***	.748***	.690***	.840***	-															
7. CHAN	.802***	.822***	.651***	.588***	.797***	.889***	-														
8. CRED	.745***	.742***	.574***	.574***	.781***	.800***	.881***	-													
9. AFFI	.802**	.759**	.675**	.692**	.695**	.772**	.759**	.769***	-												
10. COMP	.688***	.654***	.608***	.566***	.695***	.790***	.811***	.728***	.632***	-											
11. INCL	.752***	.708***	.567***	.480**	.636***	.766***	.886***	.862***	.712***	.851***	-										
12. DMC	.865***	.857***	.775***	.740***	.858***	.935***	.944***	.900***	.869***	.853***	.879***	-									
13. CLIM	.561***	.657***	.640***	.749***	.620***	.566***	.643***	.707***	.686***	.457**	.557***	.714***	-								
14. ADVA <sup>a</sup>	.226	.250	.515**	.531**	.377*	.261	.202	.235	.389*	.075	.102	.310*	.690***	-							
15. POWE	.456**	.448**	.356*	.508**	.490**	.400*	.542**	.649***	.335*	.393*	.475**	.538**	.665***	.321*	-						
16. PROD	.448**	.499**	.327*	.413**	.484**	.482**	.539**	.617***	.253	.498**	.454**	.531**	.569***	.346*	.580***	-					
17. ADAP	.591***	.631***	.383*	.522**	.484**	.587***	.578***	.706***	.555***	.423**	.485**	.626***	.719***	.353*	.499**	.782***	-				
18. CAPA	.360*	.515**	.383*	.463**	.389*	.484**	.480**	.493**	.353*	.421**	.350*	.493**	.637***	.426**	.496**	.755***	.741***	-			
19. MARK	.274	.379*	.401*	.534**	.527**	.512**	.474**	.567***	.293*	.412**	.351*	.497**	.683***	.399*	.598***	.789***	.748***	.821***	-		
20. GROW	.347*	.421**	.355*	.504**	.407**	.445**	.478**	.643***	.334*	.442**	.531**	.520**	.692***	.245*	.681***	.647***	.690***	.618***	.789***	-	
21. PERF	.451**	.546**	.417**	.551***	.517**	.565***	.572***	.682***	.403*	.492**	.488**	.600***	.745***	.399*	.654***	.888***	.890***	.880***	.937***	.850***	-

*Note.* LEAD = Leading Diversity; CAPI = Capitalising on Diversity; SUST = Sustainable Transformation; FAIR = Fair Practices; SYST = Systemizing Diversity; MEAS = Diversity Management Measurement; CHAN = Diversity Change Management; CRED = Diversity Management Credibility; AFFI = Affirmative Development; COMP = Diversity Competence; INCL = Promoting Inclusiveness; CLIM = Inclusive Climate; ADVA = Perceived Advancement Opportunities; POWE = Perceived Power Distribution; PROD = Productivity & efficiency; ADAP = Adaptability; CAPA = Capacity; MARK = Market standing; GROW = Future growth.  $N = 33$ .

<sup>a</sup>Spearman's correlation coefficient are presented.

\*  $p < .05$ , one-tailed. \*\*  $p < .01$ , one-tailed. \*\*\*  $p < .001$ , one-tailed.



### **5.3.3.1 The Relationship between Diversity Management Competency and Firm Performance**

Hypothesis one suggested that DMC correlates with Firm Performance. It was therefore proposed that a positive linear relationship exists between DMC and Firm Performance. As indicated in Table 5.24, a positive and significant relationship with large strength ( $r = .600$ ;  $p$  (one tailed)  $< .001$ ), was found between the variables. Consequently, 36% ( $r^2 = 0.36$ ) of the variance in the Firm Performance measure was explained by the variance in the DMC measure.  $H_{01}$  could therefore be rejected in support of  $H_{a1}$ , thus confirming hypothesis one.

### **5.3.3.2 The Relationship between Inclusive Climate and Firm Performance**

It was hypothesised that the level of Inclusive Climate is positively related to Firm Performance. The correlation matrix revealed a strong positive and significant correlation ( $r = .745$ ;  $p$  (one tailed)  $< .001$ ) between the two variables. Inclusive Climate, therefore, explains 56% ( $r^2 = 0.56$ ) of the variance in Firm Performance. Consequently,  $H_{02}$  was rejected in support of  $H_{a2}$ , thus confirming hypothesis two.

### **5.3.3.3 The Relationship between Perceived Advancement Opportunities and Firm Performance**

Hypothesis three proposed that Perceived Advancement Opportunities are positively related to Firm Performance. Spearman's correlation coefficient was used to evaluate this hypothesis because of the non-normal data distribution of the Perceived Advancement Opportunities variable. It was found there was a positive and significant relationship with medium strength ( $r_s = .399$ ;  $p$  (one tailed)  $< .05$ ) between the variables. Consequently, 16% ( $r_s^2 = 0.16$ ) of the variance in Firm Performance was explained by the variance in Perceived Advancement Opportunities.  $H_{03}$  was therefore rejected in favour of  $H_{a3}$ , thus confirming hypothesis three.

### **5.3.3.4 The Relationship between Perceived Power Distribution and Firm Performance**

It was proposed that Perceived Power Distribution is positively related to Firm Performance. The correlation analysis revealed that Perceived Power Distribution was strongly, positively and significantly related to Firm Performance ( $r = .654$ ;  $p$  (one-tailed)  $< .001$ ). This means that 43% ( $r^2 = 0.43$ ) of the variance in Firm Performance was explained by the variance in Perceived Power Distribution. Therefore,  $H_{04}$  was rejected in favour of  $H_{a4}$ , thus confirming hypothesis four.

### **5.3.3.5 The Relationship between Diversity Management Competency and Inclusive Climate**

Hypothesis five postulated that DMC is correlated with the experience of an Inclusive Climate within organisations. In other words, there is a positive linear relationship between DMC and Inclusive Climate. As indicated in Table 5.22, a positive and significant relationship, with large strength ( $r = .714$ ;  $p$  (one-tailed)  $< .001$ ), between the two variables was found. Furthermore, approximately 50.98% ( $r^2 = 0.5098$ ) of the variance in the Inclusive Climate measure could be explained in terms of the variance in the DMC measure.  $H_{05}$  could consequently be rejected in favour of  $H_{a5}$ , thus confirming hypothesis five.

### **5.3.3.6 The Relationship between Diversity Management Competency and Perceived Advancement Opportunities**

Hypothesis six proposed that DMC correlates with the Perceived Advancement Opportunities of employees within organisations. The hypothesis therefore suggested that there is a positive linear relationship between DMC and Perceived Advancement Opportunities. As indicated in Table 5.24, a positive and significant relationship with medium strength ( $r = .310$ ;  $p$  (one-tailed)  $< .05$ ) between the two variables was found. Furthermore, approximately 9.61% ( $r^2 = 0.0961$ ) of the variance in the Perceived Advancement Opportunities measure could be explained in terms of the variance in the DMC measure.  $H_{06}$  could consequently be rejected in favour of  $H_{a6}$ , thus approving hypothesis six.

### **5.3.3.7 The Relationship between Diversity Management Competency and Perceived Power Distribution**

Hypothesis seven suggested that DMC correlates with Perceived Power Distribution amongst the diverse employees within an organisation. It was therefore assumed that there is a positive linear relationship between DMC and Perceived Power Distribution. As portrayed in Table 5.24, a positive and significant relationship with large strength ( $r = .538$ ;  $p$  (one-tailed)  $< .01$ ), between the variables was found. This indicates that 28.9% ( $r^2 = 0.289$ ) of the variance in the Perceived Power Distribution measure was explained by the variance in the DMC measure.  $H_{07}$  could therefore be rejected in favour of  $H_{a7}$ , thus confirming hypothesis seven.

#### **5.3.3.1. Exploring incidental findings**

No hypotheses were formulated with regard to particular subscales of DMC and the dependent variables, or with regard to DMC and particular subscales of Firm Performance.

Table 5.25, however, indicates how the different subscales of DMC and Firm Performance correlate with the other variables. As indicated in Table 5.25, Diversity Management Credibility (CRED) had the highest correlation of all the subscales with Firm Performance ( $r = .682$ ;  $p$  (one tailed)  $< .001$ ). With regard to the subscales of Firm Performance, DMC had the highest correlation with Adaptability (ADAP) ( $r = .626$ ;  $p$  (one tailed)  $< .001$ ). These correlations give an indication of which specific aspects of the variables may have the biggest contribution of the variance shared between the variables. These statistically significant correlations should, however, be confirmed in replication studies using larger sample sizes.

## 5.4 SUMMARY

The purpose of this chapter was to present the results of this study. First, the definitions of the DMCs that were developed within this study were presented, as well as the results of the reliability tests that were conducted on the subscales (which represent the DMCs) of the DMCQ and the DMO scales. Subsequently, the discussion was focused on the preparation of data for analysis by testing the assumptions underlying multivariate procedures. The results from the main analysis, i.e. correlation, which tested the proposed hypotheses developed in Chapter 3, were then presented.

The results from the correlation analysis revealed moderate to strong significant relationships between the variables of DMC, Inclusive Climate, Perceived Advancement Opportunities, Perceived Power Distribution, and Firm Performance. The strongest relationships were indicated between Inclusive Climate and Firm Performance ( $r = .745$   $p < .001$ ).

In summary, the results of the analyses were highly satisfactory, supporting all the formulated hypotheses. The next chapter is focused on discussing these findings in more detail, as well as presenting limitations encountered in the present study, providing practical applications of the results, and offering recommendations for future research within the topic of the study.

## **CHAPTER 6: CONCLUSIONS AND IMPLICATIONS**

### **6.1 INTRODUCTION**

The aim of this chapter is to discuss the results of the present study, which are presented in Chapter 5. This is done by connecting the results with the original research objectives of the study, as well as the theory and research used to support the arguments of the present study. This chapter also presents the limitations of the study, suggestions for future research and the practical implications of the results.

### **6.2 PURPOSE OF THE STUDY**

The business case for diversity evolved from claims that diversity has a positive effect on firm performance to a broader proposition that effective diversity management has a positive effect on firm performance (Litvin, 2006). This proposition, however, had not been tested conclusively, the reason being that there has not been agreement amongst scholars, firstly on what constitutes effective diversity management and, secondly, on how it influences firm performance. Views on how to effectively manage diversity are scattered and it is difficult to find unanimity about specific approaches (Seymen, 2006). There has therefore been no agreement on a single coherent model which describes the relationship between diversity management and important firm outcomes. There is an acute need for clarity on what constitutes effective diversity management, especially in the South African context with its diverse workforce. However, diversity management research has also been extremely scarce within the South African context (Booyesen & Nkomo, 2010).

Examination of the diversity management literature revealed four major literature gaps. These gaps testify to the following: Firstly, the current state of diversity management within South African organisations is not known. Secondly, the diversity management models reported in the literature are only conceptual and have not been empirically tested (e.g., Chanda et al., 2009; Cox, 1994; Gilbert et al., 1999; Maak & Pless, 2004; Kochan, McMillan-Capehart, & Richard, 2002; Milliken & Martins, 1996). Thirdly, there is no acknowledged coherent model for DM. And, lastly, there is no agreement on what the most essential practices for effective DM should be. These gaps were addressed in the objectives of the study which were (1) to

describe the current state of diversity management in South African companies; (2) to develop a coherent theoretical framework for diversity management in the South African context which would include the firm-level diversity management competencies (DMCs) necessary for effective diversity management; and (3) to investigate how DMC affects important firm outcomes and explain how it does this through intermediate diversity-related outcomes. The primary purpose of this study was therefore to formulate a framework of DMC and to determine whether the level of DMC would have differential effects on different diversity outcomes and a firm's performance.

### **6.3 REVIEW OF THE METHODOLOGY**

This study consisted of both a qualitative and a quantitative research phase. A mixed methods procedure, which refers to “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” was therefore used (Johnson & Onwuegbuzie, 2004, p. 17). Using both qualitative and quantitative approaches makes it possible to use the strengths of both methods (Johnson & Onwuegbuzie, 2004), which is why the mixed methods approach is gaining popularity within social research (Creswell, 2009). The mixed methods approach represents the third “wave” in research approaches and goes beyond the qualitative versus quantitative debate to provide a practical and logical alternative (Johnson & Onwuegbuzie, 2004). One of the biggest advantages of using a mixed methods approach is that combining both qualitative and quantitative methods offers a broader understanding of research problems (Creswell, 2009; Johnson & Onwuegbuzie, 2004). Considering these advantages of the mixed methods approach leads to the conviction that “the time has come for mixed methods research” (Johnson & Onwuegbuzie, 2004, p. 24).

The specific type of mixed methods used in this study comprised the sequential exploratory strategy which firstly entails a qualitative data collection and analysis phase and is followed by a quantitative data collection and analysis phase that builds on the results of the qualitative phase (Creswell, 2009). In the present study, the qualitative phase was used to generate DMCs through first conducting qualitative interviews and then conducting content analysis of the transcribed interviews. As the qualitative approach is a suitable method for exploring a phenomenon (Creswell, 2009), qualitative interviews were used to generate DMCs and to

develop the DMC framework, which encompasses DMC, diversity management outcomes (DMO), and important firm outcomes. Subsequently, measures were developed for DMC and the DMO of Inclusive Climate, Perceived Advancement Opportunities and Perceived Power Distribution. These measures underwent both Lawshe's (1975) and Cohen's (1960) content validation approaches and were pilot tested to develop the final measures. The quantitative research approach was used to test the reliability of the measures, as well as to evaluate the relationships that are proposed within the DMC framework through correlation analysis.

## **6.4 SUMMARY AND DISCUSSION OF FINDINGS**

### **6.4.1 Development of competencies and measures**

The DMC framework was developed through the competency modelling approach. Although competency modelling is most often used on the individual level, it is increasingly being extended to the organisational unit of analysis (e.g., Cohen & Levinthal, 1990; Evans, Shulman, & Stalk, 1992; Hamel & Prahalad, 1990; Heene & Sanchez, 1997; Selznick, 1957; Teece, 2007). An organisational-level competency model is a road map that identifies which competencies the organisation aims to build at the level of the entire firm so as to attain desirable firm outcomes (Hamel & Prahalad, 1990). It therefore makes sense to follow the competency-modelling approach, because competency models are used to distinguish top performers from average performers (Campion et al., 2011). Competencies are those most essential elements that will lead to optimum performance.

The DMC framework was developed from available literature, as well as practice. Practice refers to the diversity management actions that are taken in South African companies. This ensured that the framework and the firm-level competencies make conceptual sense and are therefore easily transferred to practical management. In practice, there is currently no unanimity in the diversity management strategies used by companies (Forbes Insights, 2011; Seymen, 2006), because of the uncertainty about which diversity management practices are most essential. The DMC framework has therefore addressed the need of companies for integrative and practical theories of diversity management that will assist them to thrive (Chung-Herrera et al., 2009).

Because there were no measures for the DMC framework variables of DMC and DMO, measures were developed for these variables. The development of the DMC measure, namely the Diversity Management Competency Questionnaire (DMCQ), makes it possible for companies to measure their DMC status. The DMCQ can namely be used as a tool to identify development areas with regard to DMC and it can be used to evaluate growth in terms of DMC.

Based on psychometric evidence, the subscales of the developed measures were revealed to be highly reliable; they therefore are reliable instruments of the constructs that they measure. Reliable instruments can be used with confidence in the knowledge that random situational factors are not interfering (Blumberg et al., 2008). Reliable instruments are also robust and will therefore measure consistently at different times and in different situations (Blumberg et al., 2008). The reason for the high reliability of the DMCQ subscales and DMO scales may be found in the thorough content validation procedures that were followed to develop these measures and the pilot study that was conducted prior to administering the final instruments. It was therefore assured that the items of the scale adequately represent the constructs that they are measuring (Blumberg et al., 2008). An investigation of the construct validity of the measures through exploratory factor analysis (EFA) or confirmatory factor analysis (CFA) was however not possible, because of the small size of the available sample. An important subsequent step would be to obtain a larger sample size and then factor analyse the measures to explore their construct validity.

#### **6.4.2 Descriptive data of companies**

The developed DMC and DMO instruments, as well as the PI (Spangenberg & Theron, 2004) were administered to managers ( $N = 77$ ) from different medium to large companies ( $k = 33$ ) to collect the required data for the quantitative phase of the present study. Inspection of the descriptive data revealed that the companies had the highest mean scores on the competencies of Sustainable Transformation and Fair Practices. This may indicate that South African organisations are still maintaining the discrimination-fairness perspective (Ely & Thomas, 2001) which focuses primarily on legislative compliance. Although legislative compliance is necessary, organisations should shift their orientation from a compliance mind-set or "tick box mentality" (Horwitz & Jain, 2011, p. 23) towards capacity building (Browning et al., 2002). The intent of labour legislation, which entails the redress of skill and opportunity imbalances, will only be reached if compliance runs parallel with human development

practices (Booyesen & Nkomo, 2010). The data of the present study coincide with the results of the CEE report (2011), which reveals that the aims of labour legislation have not yet been reached. Legislation creates a platform for South African organisations to perform effectively with their diverse workforce, but companies still need to leverage the platform through effective management (Erasmus, Schenk, & Swanepoel, 2008). If companies truly want to pursue optimum performance, they need to shift their focus beyond legislative compliance, towards progressive management strategies that pit the latent potential of their workforce.

#### **6.4.3 Relationships between DMC, DMO and firm performance**

The quantitative phase entailed evaluating the relationship between DMC, DMO and firm performance. The present study is one of the first studies within the South African context to empirically evaluate the relationship between diversity management and important firm outcomes. This study also provides suggestions regarding the intermediary processes through which diversity management relates to firm performance. Furthermore, very few diversity studies are conducted at the organisational unit of analysis (Joshi, Liao, & Roh, 2011). This study therefore adds to the literature on organisational-level studies.

Hypothesis one related to the relationship between DMC and Firm Performance and proposed that DMC is positively related to Firm Performance. This hypothesis was based on the resource-based view which proposes that unique and valuable organisational routines may create sustained competitive advantage (Barney, Ketchen, & Wright, 2001). The hypothesis was supported by the results which indicated a strong significant correlation between DMC and Firm Performance. This strong correlation is consistent with results from Choi and Rainey's (2010) study, which found that diversity management was positively related to organisational performance. Similar studies also confirm that diversity management is positively related to firm performance (e.g., Bezrukova et al., 2003; Ferris et al., 1995; Johnson & Richard, 2001). The results of the present study therefore build on previous evidence that indicate that diversity management is related to firm performance. More specific to the present study, the results may suggest that DMC has a significant influence on firm performance.

Interestingly, the Firm Performance subscale that had the highest significant correlation with DMC was Adaptability. This suggests that DMC may have the biggest influence on firm performance through improving an organisation's capacity to adapt. Similar claims were



made by scholars supporting the business case for diversity. It was proposed that “managing diversity enhances organizational flexibility” (Blake & Cox, 1991, p. 51). This claim is made on the premise that, through diversity management, policies and procedures are broadened and operating methods are less standardised, which results in a more fluid and adaptable organisation (Blake & Cox, 1991). The present study therefore adds to the empirical studies supporting the business case for diversity. However, correlation relationships between variables do not necessarily indicate causal relationships.

Furthermore, the subscale of DMC with which Firm Performance has the highest correlation is Diversity Management Credibility. This implies that companies should ensure that their diversity management efforts are credible if they want diversity management to contribute to their firm’s performance. Diversity Management Credibility entails that the diversity management efforts of a company are sincere and that they are transparent with regard to their employees concerning the diversity management strategy that they follow. Employees have high regard for ethical behaviour by the organisation.

Some scepticism exists, however, concerning whether diversity management can be directly linked to firm performance (Boon, Boselie, & Dietz, 2005). Companies and academia therefore want to know *how* diversity management affects firm performance. In other words, they seek to know through which processes diversity management influences firm performance. These intermediate processes are referred to as the “black box” (Lawrence, 1997) of diversity, signifying the uncertainty around these processes. To identify these elusive intermediate processes, current literature was studied to identify plausible intermediate outcomes (see Chanda et al., 2009; Cox, 1994; Ely & Thomas, 2001; Gilbert et al., 1999; Kirby & Richard, 2000; Maak & Pless, 2004; Kochan et al., 2002; Milliken & Martins, 1996). The intermediate outcomes, termed DMO in the present study, of Inclusive Climate, Perceived Advancement Opportunities and Perceived Power Distribution were identified and subjected to statistical analyses. Because of the small sample size of this study, the proposed intermediary variables could not be subjected to mediating analyses, however. Consequently, the relationship between DMC and the intermediary variables (i.e. DMO), and the relationship between DMO and firm performance were inspected separately. The correlation analysis revealed that all the hypothesised relationships are statistically significant.

Hypotheses two to four proposed that DMO are significantly positively related to firm performance. Hypothesis two suggests that employees within an inclusive climate do not waste their energy on trying to be a different kind of person (Miller, 1998), but can fully invest their energy within the workplace (Maak & Pless, 2004). Hypothesis three was based on the expectancy theory (Vroom, 1964) and proposed that employees tend to work harder when they believe that there is a future or possibilities for advancement for them in the organisation (Hammer & Landau, 1986). Hypothesis four is supported by Anderson, Gruenfeld, and Keltner's (2003) theory which proposes that power results in performance-enhancing behaviour, whereas a lack of power results in performance-inhibiting behaviour. Perceived Power Distribution is therefore positively related to performance. All these hypotheses were confirmed. Inclusive Climate and Perceived Power Distribution were both strongly correlated with Firm Performance, although Perceived Advancement Opportunities were only moderately correlated with Firm Performance. A possible explanation for the moderate correlation may concern statistical artefacts. The data obtained for the Perceived Advancement Opportunities scale revealed a non-normal distribution. This could have been due to the small sample size that was obtained. A larger sample size may have resulted in a normal distribution, which may have led to a stronger correlation between Perceived Advancement Opportunities and Firm Performance.

Hypothesis five proposed that the level of DMC of an organisation is associated with the extent to which an Inclusive Climate within organisations is experienced. The correlation analysis of this hypothesis revealed a strong positive and significant relationship between the two variables. This may indicate that the extent to which companies are competent with regard to diversity management will determine the extent to which the employees within the company experience an inclusive climate. This result partially coincides with the results obtained in the study by Herdman and McMillan-Capenhart (2010) who found that the existence of diversity programmes within an organisation is significantly correlated with a diversity climate, which is the perception of employees regarding the importance of diversity within organisations.

Hypothesis six suggested that the extent to which companies are competent with regard to diversity management is associated with the extent to which employees perceive advancement opportunities within the company. This hypothesis was supported and indicated a moderate significant correlation between the two variables. Effective diversity management

would therefore instil a belief in employees that they have a future in the organisation. The fact that Perceived Advancement Opportunities were only moderately related to DMC may be due to the presence of statistical artefacts, as previously mentioned.

Hypothesis seven proposed that the level of DMC of a company is related to the extent to which employees perceive that the power within the organisation is equally distributed. The correlation matrix revealed that DMC and Perceived Power Distribution are significantly strongly correlated. This implies that effective diversity management will impart a perception that all kinds of employees have equal say within the company. Organisations competent with regard to diversity management encourage voice, therefore employees feel empowered to exercise influence (Gonzalez, 2010).

Since DMC correlates significantly with all the proposed DMO, these variables may be plausible intermediary processes for the diversity management and firm performance relationship. The fact that DMC has a higher correlation with Inclusive Climate than with Firm Performance provides motivation for considering whether Inclusive Climate is an intermediary variable of the relationship between DMC and Firm Performance. This suggestion is supported by current literature which emphasises that “diversity climate is emerging as an important intermediary outcome in the prediction of key organizational and individual outcomes” (Herdman & McMillan-Capenhart, 2010, p. 49). Additionally, Firm Performance has a higher correlation with Perceived Power Distribution than with DMC, which may also be an indication that Perceived Power Distribution is an intermediary variable. Perceived Advancement Opportunities had weaker correlations, which may have been due to statistical artefacts. It should however be emphasised that correlation analysis cannot be used to evaluate intermediary processes. Further studies should therefore investigate the possible intermediary role of the DMO variables. However, this study has made valuable suggestions towards exposing what is within the “black box” of diversity.

## **6.6 LIMITATIONS OF THE STUDY**

It is important to identify and acknowledge the limitations of the study. The first limitation concerns the non-probability sampling technique that was used. Non-probability sampling is technically inferior to probability sampling, because it cannot be assumed that the sample is

representative of the population and sampling error cannot be calculated (Blumberg et al., 2008). The non-probability sampling technique was used because of the practical difficulty of finding response participants. This practical difficulty also gave rise to the small sample size that was assembled. The results of this study should therefore be seen as tentative results until bigger samples can be found through probability sampling.

Secondly, the response approach may have resulted in limitations to the study results. More than half of the company responses came from a single employee who responded to the questionnaire on behalf of the company. It is therefore not certain to what extent those single responses are true indicators of the state of the particular company. The results obtained from these respondents may contain common rater effects, which refers to “any artifactual covariance between the predictor and criterion variable produced by the fact that the respondent providing the measure of these variables is the same” (Lee, MacKenzie, Podsakoff, & Podsakoff, 2003, p. 881). It is therefore proposed that multiple responses should be gathered from all sampled organisations and an average score calculated. Averaging across multiple raters reduces individual rater effects (Conway, 2002). Additionally, if measures are compositional in nature, it is necessary to test consensus among respondents prior to representing the organisation with the mean of individual responses (Herdman & McMillan-Capehart, 2010). The level of agreement between employees from the same company should therefore be established (e.g., using  $r_{wg}$  (Demaree, James, & Wolf, 1984)) to identify any outliers within the company responses. It is suggested to then analyse the data by using Hierarchical Linear Modelling (HLM) which accommodates nested multilevel data structures (Bryk & Raudenbush, 2002). This technique of analysis is applicable since the individual responses of employees will be nested in their organisation’s response. When HLM is used, a series of models are evaluated to test the hypothesis (Bryk & Raudenbush, 2002).

Lastly, the statistical analysis technique that was used caused some limitations regarding the conclusion that can be drawn. Correlation analysis which was used in the present study cannot indicate causal relationships, but only reveals associations between variables (Field, 2009). It can therefore not be concluded that significant relationships between variables mean that the one variable determined the other. The direction of the causal relationship can therefore also not be inferred (Field, 2009). Significant correlations are pre-requisites of

causal relationships, however; further studies should therefore test the hypotheses for causal relationships.

## **6.7 SUGGESTION FOR FUTURE RESEARCH**

Since the present study was an exploratory study, it forms a basis for numerous future research studies which may be more confirming or explanatory in nature. Further research should therefore be conducted to expand the present study.

Firstly it is suggested to extent the testing of the psychometrical properties of the developed measures. The developed measures have been evaluated for internal consistency at the individual unit of analysis. It is suggested that the measures be tested for their reliability on the organisational unit of analysis. Additionally, it is suggested that the measures undergo factor analysis and testing for validity.

Secondly, the DMC framework can be further evaluated empirically. Although only elementary empirical tests could be conducted because of the small sample size, it was a first step towards testing the whole DMC framework. The present study presents the basis of a company database for further studies. The aim of this study was to encourage further and more in-depth empirical studies to provide empirical evidence for conceptual diversity models. Within a marketplace with limited resources, it is essential that companies base their effort on evidence-based models and frameworks. It is therefore proposed that the developed DMC framework be tested on a larger sample, so that the causal paths may be tested through structural equation modelling (SEM), and mediation analysis of the proposed mediatory variables may be conducted. Additionally, it is suggested that diversity perspectives, as well as environmental factors, be included when testing the model, as indicated in Figure 2.8. These variables were not tested within the present study because of the elementary phase of the newly developed DMC framework. The fact that DMC and performance variables correlated still begs the question why they correlated – what process produced the relationships? The DMC explanatory structural model should therefore be extended in future studies by exploding DMC into its 11 dimensions. It is then considered whether variance in DMC exists because of causal/structural relations between the 11 dimensions.

Further empirical studies could also use objective measures of firm performance when testing the model. It would be interesting to see whether similar results would be attained with objective measures. When testing for possible influences on firm performance, researchers should also consider controlling extraneous variables such as industry, size of the organisation, business strategy, capital structure, quality of management and areas other than HR, such as finance and marketing, which may also influence firm performance (Becker & Gerhart, 1996).

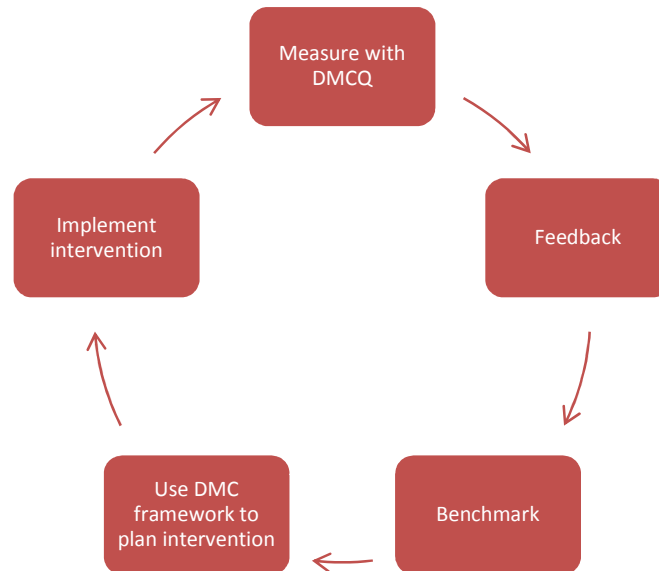
Finally, it is suggested that experimental research be conducted to identify company interventions that could improve the DMCs. The suggested interventions in Appendix G were not experimentally generated, but were obtained through literature. Identifying company interventions would assist in the practical transferability of the DMC framework.

## **6.8 PRACTICAL IMPLICATIONS OF THE STUDY**

The results of the present study indicated that DMC and firm performance are significantly related. Companies should therefore take note of this study and acknowledge that the way in which they manage their diverse workforce has implications for their firm's performance. However, companies seek guidance with regard to effective diversity management, but the guidance provided within the literature is scattered and seldom empirically evaluated. The DMC framework which was rigorously developed in the present study provides companies with an evidence-based approach to effectively manage their diverse workforce. The framework provides guidance with regard to the different aspects of diversity management which should be included to ensure effective diversity management.

The two major practical contributions of this study are the development of a framework to guide diversity management in South African companies and the development of a measure which can be used as a diagnostic tool to assist in diversity management. These contributions can assist companies in effectively managing a diverse workforce. Figure 6.1 indicates the process through which the DMCQ and the DMC framework can be used. Firstly, the DMCQ can be used to determine the state of diversity management in a company. Through the feedback of the DMCQ, the company can benchmark themselves against other companies in terms of their DMC, perhaps by using firm-level norms. Developmental areas can then be

identified and interventions planned and implemented. Appendix G provides possible interventions that could be implemented to improve each competency. Lastly, the DMCQ can be used to measure whether the interventions result in improved DMC.



*Figure 6.1.* Process of sustainable diversity management

## 6.9 CONCLUDING REMARKS

The broad objective of the present study was to evaluate the viability of the emerging perspective of workplace diversity proposing that a well-managed diverse workforce holds inherent advantages for organisational performance. More specifically, the objective was to formulate a framework of diversity management competency (DMC) and to determine whether the level of DMC would have differential effects on different diversity management outcomes (DMO) and a firm's performance. Numerous scholars have studied diversity within the workplace from a reactive and more negative stance (Chung-Herrera et al., 2009). Diversity is often viewed as an issue within the workplace that needs to be dealt with or addressed. These reactive studies often focused on aspects such as discrimination and prejudice (Chung-Herrera et al., 2009). The present study, however, took a positive and proactive stance towards diversity in the workplace by seeking to determine how diversity can positively affect firm success.

The positive and proactive approach of this study is reflected in the terminology and wording which were used. First, the development of the framework adopted the competency-modelling terminology where the emphasis is on top performance (Campion et al., 2011). Competency models are developed to distinguish top performers from average performers and are usually linked to business objectives (Campion et al., 2011). Additionally, competency models are not only focused on optimum outcomes, but are also future-orientated. Competency models consider competencies that will be required in the future (Campion et al., 2011), making competency modelling a proactive approach.

Not only was the terminology of ‘competency’ used, but the labels of the competencies themselves reflected a positive stance (e.g., *capitalising on diversity* and *promoting inclusiveness*). Positive diversity terms, such as inclusiveness, are becoming increasingly prevalent in diversity management literature, resulting from some evidence which suggested that positive attitudes towards diversity increases the probability of effective diversity management (Chung-Herrera et al., 2009).

Fortunately, the positive approach towards the present study has also culminated into generating positive results. The results of this study, which revealed that DMC is significantly related to firm performance, give support towards the business case for diversity. Initial evidence is therefore provided that reveal that investing in effective diversity management efforts, which include sustainable transformation, may result in favourable organisational outcomes. The slow demographic transformation of South African organisations may partly be due to the fact that they cannot marry transformation and business sense. However, the results of the present study suggest that the business case and transformation is not mutually exclusive. The limited pressure towards transformation of labour legislation, such as the EEA, is therefore supplemented with economic motivation. Transformation should not solely be pursued because of fairness consideration, but can also be pursued because of sustainable business considerations.

This study not only informs managers that effective diversity management may lead to firm performance, but it also provides evidence-based guidance in terms of appropriate clusters of diversity management practices. Within a marketplace with limited resources firms should base their diversity management efforts on empirical findings about the degree to which approaches to human resource diversity relate to important organisational outcomes. This is in accordance with the fundamental economic principle which claims that companies will use



the management strategies that will achieve the highest possible satisfaction with the lowest possible cost (Brevis, Cronje, Smit, & Vrba, 2011).

In conclusion, the results of the present study show that how diversity is managed has an effect on organisational climate, as well as on the bottom line. Hopefully this study will be a promising first step to advance sustainable transformation in South Africa towards the benefit of the employee, employer, and society.

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## APPENDIX A: INTERVIEW SCHEDULE

### INTERVIEW SCHEDULE

#### Subject matter expert (SME) information

Code number of SME \_\_\_\_\_

Gender \_\_\_\_\_

Race \_\_\_\_\_

Job position \_\_\_\_\_

Business sector \_\_\_\_\_

#### Purpose of Interview

The interviews will be used to assess the perceptions of effective or ineffective diversity management at the organisation level. These findings will be used to develop a questionnaire to measure Diversity Management Competency (DMC) at the organisation level. This questionnaire could assist companies to identify areas they should address to improve their diversity management effectiveness.

#### Group being interviewed

Individuals on managerial levels who have experience in working with diverse employees are interviewed. The interviewees should have experience in a managerial role for at least two years while working in a company with at least thirty employees.

#### Confidentiality

You will not be required to provide your names or particulars in the interview. Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission or as required by law. Anonymity will be maintained by means of a coding procedure. The results of this study will be published in the form of a completed thesis as well as in an accredited journal, but confidentiality of all participants will be maintained, since names will not be published. You may request to obtain the transcribed version of your interview.

#### Recording of interview

Your responses will be recorded by the interviewer on an answer sheet and recorded for control purposes. I will be making notes throughout the interview, so please excuse me if I do not continuously make eye contact. I also wish to make an audio recording of this interview in order to facilitate the analysis of your comments, but you may elect to not have your interview recorded. If you agree that we may record the interview, please give your written consent.

**Introductory question:**

What is your understanding of the term ‘diversity’?

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.....

.....

In this research, we understand diversity to include differences in race, ethnicity, gender, age, physical attributes/abilities, sexual orientation, education, marital status, parental status, work experience, and religious beliefs. Diversity therefore refers to any aspect in which people differ that has a significant impact on group interaction.

**Meaning of DMC**

Since the purpose of this interview is to generate organisation level diversity management competencies (DMCs), it is important for you to understand the meaning of DMC. The basic definition of DMC is the extent to which a company is able to effectively respond to the challenges and opportunities which are present amongst a diverse workforce. When responding to the following questions, please keep the following specifications in mind, since they would tell you what type of information we are looking for.

**Specifications**

1. Answers should refer to the actions of the organisation as a whole.
2. Answers should have reference to diversity management within the organisation.
3. The incidents which are recalled are expected to have a significant direct or indirect effect on DMC over a long period of time.

**Questions**

1. Recall a major diversity issue which arose within the company. (*Pause until interviewee has recalled an issue*). What was the issue?

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.....

.....

- a. What were the general circumstances leading up to this incident?

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b. What was the organisation's reaction to this?

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c. What were the consequences of the organisation's actions?

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2. Describe policies, practices, structures, processes, actions, formal/informal initiated by the organisation, which were very helpful in managing the diverse employees within the organisation.

.....

.....

.....

a. What were the consequences of these policies, practices, structures, processes, actions?

.....

.....

.....

3. What policies, practice, structure, process, actions, formal/informal initiated by the organisation, had damaging effects with regard to managing the diverse employees within the organisation?

.....

.....

.....

a. What were the consequences of these policies, practices, structures, processes, actions?

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### **Closing**

Are there any other comments you would like to make which may be helpful to my research?

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.....  
.....

Thank you very much for your time and for contributing to this study.

If you have any questions about this interview, you may feel free to contact me or my supervisor for this study. Our contact details are in your copy of the Informed Consent form.

## APPENDIX B: EXAMPLE OF TRANSCRIBED INTERVIEW

### SUBJECT MATTER EXPERT (SME) INFORMATION

Code number of SME: 10

Gender: Male

Race: Black

Job position: EE manager

Business sector: Communications

### TRANSCRIBED INTERVIEW

*What is your understanding of the term 'diversity'?*

Sometimes people tend to see diversity in terms of colour, but I think it is broader than that. It is race in terms of colour, but it is also gender, people with different capabilities, disabilities and abilities.

*Recall a major diversity issue which arose within the company. What was the issue?*

I think the first one would be because of the history of the country. One immediately looks at the race one. People within that particular group that are not well managed or not given certain opportunities. ××××× You have actually seen over the years that there have been some changes. Some of these changes have actually been companies or organisations taking initiatives to finding ways of managing diversity, but other have also been influenced by maybe legislation, which are actually putting some requirement and are expecting certain things to be put into place within the organisation to deal with issues relating to diversity.

It is more about being given the opportunity to perform at a certain level. But I felt I was not given that opportunity as a student. But the exclusion was in a subtle way, it was not direct. But you could feel it as a person that it is actually happening. It happened when I was just entering the corporate world in 1987. I was competing with this particular person for this particular position and I felt in terms of the performance I also did my best within the interview, but the other person was given the position. And there was one other reason: the organisation was saying that it was trying to transform, I would expect that a person like me would be given the opportunity. If there would be any areas of concern, then maybe those areas could be addressed to make sure that the person is taken to the level of expectation.

We have seen changes within the organisations, companies themselves taking initiative. I have worked for [a company], the insurance company. They were taken over by the [a

company] group and they became part of [a company]. I also worked for [a company]. There I experienced very good diversity management and government. I think it is because of the big brand of [the company], and they were targeting big customers who were expecting certain behaviour from them. And they actually gave people opportunities, not only based on colour, but also aspect of gender, religion and disability. That is why I experienced that they were doing it very well to try to manage that. I have seen lots of improvement in terms of diversity management.

*Is there not so much discrimination anymore?*

No, because we are now in an environment that is regulated and legislated. So, people have avenues, not necessarily to complain on, but companies are monitored now. You know that there is the department of labour's EE report. And that report not only looks at race, but also on gender and disabilities. Because of that, companies, whether they want to or not, have to comply, because they submit these reports on an annual basis.

*Describe policies, practices, structures, processes, actions, formal/informal, initiated by the organisation, which were very helpful in managing the diverse employees within the organisation?*

I'll use [previous company] as an example. The approach of [previous company] for giving people of colour opportunities at middle and senior management position, it was not more about number game and check list and just putting people in the form of window dressing. They had to ensure that they target and say "we want [SME name] to be a middle manager in 3 years' time. And they had a defined programme to make sure that [SME name] has been taken through that. But it's not only a pie in the sky type of thing, but [SME name] is being informed that in actual fact this role that you see here is the role that you will be occupying in 3 years. So there is a definite target and there is a programme in place to ensure that the person is being taken to there. I am not sure if other companies are adopting that, but I would like to believe that they are to make slight differences here and there.

The programme consists of formal training and on the job experiences. With regards to formal training, you would need to attend this particular course on leadership; you would have to attend this particular course on financial management. But there would also be experiences in terms of the actual person that who you are taking over from would be a mentor for you to work with and will be guiding you to see if you are progressing to expectations.

When you only focus on the numbers, it will defeat the purpose at the end of the day. It is like looking at a tree: for a tree to be strong it should have strong roots, it must be well established. And whatever winds come up, they would be able to withstand that. If you take that and translate it to people: I work for example at this company, but whatever I do I represent the company as a brand. So they need to ensure that everyone that goes out there within a managerial position, like going to an outside meeting, people are going to say you are representing [previous company]. People are going to say “[SME name] from [previous company] was talking about this. What was he doing?” It impacts the brand. If you come across challenges and there is no-one to fall back on, can you stand on your own and be able to solve the problem and go back to your direct manager and say: “This is what I was faced with, and this is what I did to deal with the situation”, rather than saying: “Oo, I’m in trouble! Come and help me!” Take a person to a position where they can say: “This was the challenge and this is what I did”.

The other one had to do of bringing in females, irrespective of colour. Their approach was similar to that; the same with people with disabilities. Their main focus was more on bringing people in on the basis of race perspective and gender perspective, ensuring that they fit in. But also ensuring that it is not only a question of you and I and my manager, but we would also have events, or out of the office kind of events, where they can intermix and stay. For instance, we used to go out and have conferences in faraway places. And those activities and conferences involved activities that required people coming from different backgrounds to rely on each other for achieving something. Or even go to the extent of even sharing the same accommodation. People would never have shared accommodation from where they are. But it forces you to actually become to understand this person: what pushes him and what excites him and what doesn’t excite him, and all those kinds of things. So you get to learn more about your colleague. They would sometimes bring in specialist who would put us through certain activities that would require us to depend on each other. As human-beings you tend to be more comfortable with people of your own, but not in terms of skin colour, but in terms of your friends, people you are used to. Now, what kind of activity they used to put us through is an activity where they take you out of your environment to an environment where you have to work with someone who you used to see, but you didn’t work with him or care about him, but now you are forced to get to know this person, because you rely on him or her to take us to the next level of whatever we are engaging in this workshop.

*How did that program affect how you work in the company?*

There is always a debate. Sometimes what happens is that you get very well along in that “bos-beraad” (*bush discussions*) that you were in for 3 days or whatever, but when you come back, we all go back to our cubicles and focus on our own jobs, but the truth for me is that yes, it can be like that, but what it does for me, it makes you understand: if for some reason I now am going to interact with Joanne or John for whatever reason later on in the business, and I see a certain behaviour coming through from him, I will understand. I would remember: “Okay, this guy is like this. It is not because he is arrogant. He is that kind of person and he likes his space, and that is the kinds of things that excite him”. So yes, people expect that when you come back from that kind of event, Monday or Tuesday you are all like buddy-buddy. It is not like that. It is a process. But later on you will realize that you have learnt something about that person. What excites that person; makes you understand why a person reacts in a certain way. It makes you understand how to approach him or her at a personal level, but at the same time use it as an opportunity to get in for business. Because we can be working for the same company, but we are also suppliers and customers of each other in terms of information and whatever. And if I do not know why I send [SME name] an email today, and [SME name] takes 3 days to respond; if I did not have the understanding what makes [SME name] respond in 3 days’ time, I would think he is against me. No-no, this is how he responds or maybe he is the kind of person that doesn’t read his emails during the day. It helps you to understand how a person behaves. Right now, you and I we only know each other very well, but if we over time get to interact within a different environment. We would get to know: “Oh, Jenni is like this kind of person”, “Oh, [SME name], is like this kind of person”. Then you understand.

The workshops are valuable, but the expectations must not be that we go out and when we come back we will see the results. It will not happen like that. However, we must understand that whatever we have experienced, part of it stays within your subconscious and when the opportunity presents itself, it will be triggered, and you will understand why a particular person behaves like that.

*What policies, practice, structure, process, actions, formal/informal initiated by the organisation, had damaging effects with regards to managing the diverse employees within the organisation?*

I have seen cases when it is about the numbers game, particularly in terms of race and gender. So, companies tend to push that without proper mentorship guidance and then people encounter problems and then they fail and which therefore it is like a fulfilment of the prophecies: “females can’t manage at the senior level”. So you put them there and then they fail. So, the result of that is that interpersonal relationships are affected. The people who are

affected in that way, their self-esteem goes down. They have a negative attitude against the brand; and then you have people resigning; and the other who were doing these things on purpose, whatever they had within their minds in terms of women that cannot perform at a particular level, “yes, it has been confirmed. Told you so”. So that kind of things. For interpersonal relationships it is not good, but also for business performance it is also not good. People go out and talk negative about the organisations. Look how many people come in, how many people leave. It is an indication that people are not happy. So it's not properly implemented.

Diversity could be broader than that, but that is how I understand it: in terms of gender, race and disabilities. Maybe in terms of deeper than that, we have seen organisations that try to look in terms of diversity at culture within the organisation. Then they invite people to run events where people come and dress in different clothes and they even go to the extent of what if we have different foods. I have seen those being done, but these are once off, and the impact is not very huge, not unless it becomes standard culture. In other words, it becomes an annual event where this is what we do for a week. We brand the particular week as a culture week. Yes, through culture you begin to understand why certain people behave in a certain way. For instance, I'm [ethnic group]. There is a certain way in which a Zulu man needs to be addressed. But normally in a work environment, people may say certain things that may offend you, but you feel you need to be accommodating, because “okay fine, they do not understand”. But in a way it puts pressure under you. It makes you lose focus in terms of how you work. And the other way around: for example there is someone who is Afrikaans speaking. For example: I was being interviewed by a certain person. Because I didn't understand the background of the certain person, she was Muslim, I kept on offering her coffee, because it was cold in the room. She came for an audit. We were being audited for BEE. All her meetings were short and to the point. The last guy she interviewed was also Muslim, and I know the guy. Afterwards, he says to me: “You know why she behaved like that: this is how Muslim women behave, especially in the presence of men. They need to make it business and to the point and go. There is no buddy-buddy or talk and talk.” So I said: “Okay, now I understand”. If you understand culture in that regards, you understand a person's behaviour. So the issue of culture has got to be well done and well managed. And people who understands the culture has to explain how the culture functions. And nothing about making jokes about others cultures.

For instance: in the Black culture, respect comes with age. You have to respect older people. But in other cultures you earn your respect.

*Are the cultural events still relevant?*

Yes, particularly in the context of the South African environment. If you are looking at the history we come from. The younger generation, it is different. We did not interact with different people until the working environment. So, it is still very important for people. The younger generation understand each other very well. For example: my youngest son goes to [school] High. He's been studying there since grade 1. His English, the way he pronounces is different to mine. When I meet him with his friends they say: "Hey, your daddy speaks like a real Black man." And he says: "What about me?" They say: "No, your fine." He says: "Hey, I'm also black!" They can joke about those things. I am not ashamed about my pronunciation of words. In school we were taught by second language speakers.

*To create a more inclusive climate, what can contribute to that?*

People still judge things in terms of numbers and people they associate with. So if I see people of my colour and gender progressing, then I feel I have an opportunity within this company. I am recognised for who I am. If I would work harder, they would recognise me. So it's more a question of making people feel that they are seen as individuals that are contributing, irrespective of their race, gender and background; not just talk about it, but make it happen so that people can see that it is happening. Sometimes within organisations we tend to talk about this, but when it comes to applying it, we don't actually do that. There are for instance certain things that I have seen within my current role that I have to challenge in the organisation. But, again, their approach is going to be different. Something has happened, but this is not what we have agreed on. So I need to go back and say: "This is not what we agreed upon. Why is this not happening?" What happens is that people come in and they would go and speak to...they would feel comfortable talking to me and say: "there is something that is not happening". I have a responsibility to address that on an appropriate platform, maybe in the senior management meetings or in the board meetings.

When we say we are open to suggestions, let us not just say that as a means of bluffing the people. Let them see that we are doing something about it. I used the example of career progression, but it could be other things as well. People complain about the environment where they sit or eat and they are making suggestions about these things and making complains, but they do not see any change. They are going to say: "this environment is not what I am looking for." And then they leave.

Structures and processes should be put in place to receive suggestions and complaints, but it should be well implemented. It is another thing to just collect and collect suggestions and complaints but nothing is done about it over months or years.

*How should an organisation take advantage of different viewpoints?*



In theory and in general companies encourage that. Some companies even say that one of their values is innovation. The important thing is that if those ideas come in, how are they implemented? Is it [name]'s ideas that are implemented only and not [other name]'s ideas? And therefore [other name] decides: "I'm not going to do this anymore". And it ends up; they ignore it. Or is it everyone's ideas that are contributing and is implemented. That is encouraged, but it is all about application. Do we see it happening? Obviously it doesn't mean that every idea that comes through has to be implemented. But companies need to arise to review and pick up things that they believe is going to add to that opportunity.

*Are there any other comments you would like to make which may be helpful to my research?*

Something we haven't spoken about is change management. When you are dealing with diversity there is going to be the aspect of change management. Because we as human beings like our comfort zones, and anything that comes in to take up a particular comfort, makes us to respond differently. Some will embrace that change; others will resist that change. So therefore, whatever change we are bringing in that will ensure that we will manage that diversity; this must go hand in hand with change management; where the processes that go with change management are also taken into consideration in whatever intervention that is brought about. Sometimes we implement change and we think everything will flow through, but this naturally doesn't happen like that. For example, if you are only employing males in a particular position. Now, you are bringing in a woman. Maybe that woman will be in a position where she will be given instructions to men. Men, who are not used to that, will have to be addressed. They need to be prepared to deal with those kinds of things. There can be resistance; there could be sabotage, which will mean that the objective of the company could not go forward. The organisation will not reach its goals, because these people are trained to prove that whatever you implement is not going to work, and therefore they sabotage everything. Therefore we have company resources that are not utilised to take the company forward. Therefore you are losing time, you are losing money, etc.

*Why are companies not transforming at the required pace?*

It is more around the fear of you are going to lose your job or your business is going to be taken over and you are therefore going to be excluded from this. Is this another reverse kind of Apartheid? Which therefore again goes back to what is the strategy of the company and how does BEE fit into the strategy of the company and how is it communicated to the whole business, so that everybody understand when we say from a EE perspective, we are now going to be putting adverse which may be having this kind of plan, EE and so on, does it mean that a person who does not qualify for that will be totally excluded? How does one

address the concern of that person, because that person is an employee of the organisation. How will you show to that person that actually you will not be excluded? You will still be going along with everybody else. It is just that the rate that other people are going to be brought in will not be the same. There will still be opportunities for everybody else. How do you address that and ensure that?

So there is that fear. People are worrying about their job. People are worrying about their companies being taken over by somebody else in terms of equity, job in terms of opportunity from an EE perspective. And the fear that people will be put into positions where they do not have the required skills to perform. Such instances happened when these processes were rushed: numbers...tick. But if you go back to the example that I gave of [my previous company] about development. These are some of the issues and the fears which need to be addressed. We cannot wish them away. They are real.

I think the way transformation is done initially has also influenced the way people are sceptical about it. When it started it focused on ownership. "This is my company. I am going to give part of my company to X number of individuals, because I need to gain certain points" and hoping that from a business perspective they will add value and bring me in business. And we therefore saw quite a few individuals benefiting and then the rest of individuals not benefitting. And then people were saying "You see, this BEE is only there to benefit the few". But things have changed now. What is happening is the change in legislation and the implementation of the BEE Act, because it is now done in conjunction with the BEE code which focuses on 7 elements, and the main ones being: enterprise development and procurement. So in that way it pushes the weighting more on enterprise development and procurement and less on ownership. It therefore makes it even broader and benefitting even more people, the broader community. I mean, anyone that is participating within the business, as long as they are compliant, bid for business from a procurement perspective. So, the way BEE is implemented is totally different than what it used to be and it is continuously being improved as well. I think the perception was because of what was seen initially.

Others even went to the extent of doing fronting. Fronting where you will have the company in their Board of Directors saying that their tea-lady and the garden guy is one of their directors in the board, but the poor lady or the guy does not even know that he is sitting there, but for fronting purposes so that they will be able to show and be able to access business opportunities. But that again is being addressed. Everybody is hoping that there will eventually be a sunset close on BEE. But until then, it is one of the policies, it is not the only one, it is one of the policies that will help with the challenges that this country is facing

in their access to business and economic opportunities of the country. There are other initiatives. One of those is studying: going to school. Doing something about their education, particularly in the disadvantaged areas where they are still challenged. Policies have changed. It is more about the implementation and the management of those schools and so on. People who are managing schools in townships are not managing them right: people don't go to school; teachers don't go to classes. And therefore there is no teaching. If we have proper teaching there will be more and more people becoming better educated, getting better grades, so that they can reach for better qualifications or whatever. Then we have skilled people feeding the business. That is where everything should start.

xxxxxx One of the elements of BEE is social economic development. So we have identified schools that we are going to partner with. We are going to sponsor certain things in terms of equipment, education equipment, building a computer centre and assisting them with training and those kinds of things. This will be our contribution. It is done with the aim of getting points, BEE points, but at the same time the results will be that we are contributing by providing people with resources and skills. It is just a small thing, but we believe it is going to be bigger. There are companies that are doing even bigger [bigger socio-economic contributions]. For us it is a start. We only started last year.

These policies of transformation are short term interventions. Something that will have more impact within the future is to invest in education. If you look at the budget of the company, education has a lion's share in the budget of the company. It is one of the areas where the Minister of finance talks about the education. But a large part of goes to our salaries, which is okay, it is like that in most places. But as long as we have proper education taking place in schools...this is what is requested even by the president...teachers must be in class on time, teaching, and children must be doing their homework. Just those basics and we will have results and better educated people. This thing of saying we need all the resources. You can have the best laboratories, but if there is no teacher in the classroom, it doesn't benefit that person. You can have the best laboratories, but if there are no teachers to do the experiments for kids to see and learn, what is the use? So the basic is: do we have teachers? Are they teaching on time? Are they prepared? Do they know what they are talking about? Are the kids in class? Are they on time? Do they do their work? Then we can start seeing the differences. This is the reality. This is the truth, but sometimes we want to avoid them. We want the quick ones. We want to blame somebody else.

When you are dealing with people, you must know that they are not machines. We are human. We just allow the process and allow the resources and support, but there must be a plan and a process and there needs to be given time to unfold and then we see the results.

And if the results are not there, we review and see what we did wrong and improve. Don't think it is like using a magic wand.

**APPENDIX C: LETTER TO HR PRACTITIONERS**

UNIVERSITEIT • STELLENBOSCH • UNIVERSITY  
jou kennisvennoot • your knowledge partner

Dear HR practitioner,

Thank you for your willingness to participate in this study and contributing to the generation of evidence-based research in the field of diversity management within South Africa. I trust that the results of this study will practically assist you in your HR role.

For your company to participate in this research study, it is required that you identify one senior-level manager and three lower level employees to fill in the questionnaires. It would be preferred that the selected employees are diverse in terms of gender and race. The study entails an on-line questionnaire called the Diversity Management Competency Questionnaire (DMCQ) which can be located through the following link:

<https://surveys.sun.ac.za/Survey.aspx?s=c7e6a116683a44d88fb79c700cf05a4a>

I have attached a letter to request institutional permission to conduct the study within your company. Please fax or scan and send the signed form to Fax No: 021 886 9111 or [jennifergytha@gmail.com](mailto:jennifergytha@gmail.com). A letter which can be sent to the participating employees is also attached to this email. It includes the link which the participants should follow to gain access to the questionnaire. The four selected employees are requested to complete the questionnaire by **Friday, 3 August 2012**.

After we have analysed the data of your and the other four employees' completed questionnaires, as well of those from the other participating companies, we will send a report which indicates your company's results and how it benchmarks with the other participating companies.

Please feel free to contact me if you have any inquiries.

Kind regards,

Jenni Carstens.

**APPENDIX D: LETTER TO PARTICIPANTS**

UNIVERSITEIT • STELLENBOSCH • UNIVERSITY  
jou kennisvennoot • your knowledge partner

Dear participant,

You are requested to participate in a study that wants to determine the way in which South African companies manage diversity, and also how effective these practices are with regards to important firm outcomes. Through this study, your company will receive a report on its ability to manage diversity. This report will identify your company's strengths and developmental areas with regards to diversity management and also benchmark your company with other participating companies.

The participation of this study entails completing an online-survey that will take approximately 25 minutes to complete. The data collected as part of this research will contribute to a master degree thesis and will be used for academic purposes only. No personal information will be disclosed to anyone and the information that you supply will in no way be linked to you. The company name will also remain confidential. Confidentiality will be maintained by means of using a coding procedure for the company, as well as the employees.

Please follow the following URL link to complete the questionnaire:  
<https://surveys.sun.ac.za/Survey.aspx?s=c7e6a116683a44d88fb79c700cf05a4a>

If you have any queries, please contact Jenni Carstens ([jennifergytha@gmail.com](mailto:jennifergytha@gmail.com); 076 480 9760). Your participation is greatly appreciated as it may contribute to the improvement of managing the diverse workforce of South Africa.

Kind regards,

Jenni Carstens.

(University of Stellenbosch master student: Industrial Psychology)

**APPENDIX E: PERMISSION FOR INSTITUTIONAL ACCESS LETTER**

UNIVERSITEIT•STELLENBOSCH•UNIVERSITY  
jou kennisvennoot • your knowledge partner

**INSTITUTIONAL PERMISSION FOR ACCESS TO PARTICIPANTS**

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Institutional permission for access to employee participation is requested for a research study conducted by Miss Jenni Carstens, from the Industrial Psychology Department at Stellenbosch University. The results obtained will contribute to the completion of the thesis component of an MCom degree in Industrial Psychology.

The purpose of the study is to identify which important diversity-related outcomes are related to Diversity Management Competency (DMC). The purpose of the DMC questionnaire is to use it as a benchmark tool as well as a tool for identifying development areas with regard to diversity management. The research process entails that the Human Resource Manager, as well as a senior level employee and three lower level employees fill out the DMC and diversity-related outcomes questionnaires. When the questionnaires are completed and analyzed, the company will receive a summarized report on their state of DMC and how they compare with the other sampled companies.

<b>SIGNATURE OF AUTHORISED REPRESENTATIVE OF INSTITUTION</b>
--

I hereby give institutional permission for the access of participants for the purposes of this study. I hereby consent that the participants may participate in this study. I have been given a copy of this form.

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Name of company

---

Name of company representative

---

Signature of company representative

---

Date

## APPENDIX F: DMCQ REPORT EXAMPLE

# Diversity Management Competency Questionnaire



J.G. Carstens & F.S. De Kock

The Diversity Management Competency Questionnaire (DMCQ) Report reveals the state of the company's ability to manage diversity effectively. The report also benchmarks the diversity management competency (DMC) of the company with the average DMC of the total sampled companies.





We would like to thank your company for participating in the study on Diversity Management Competency (DMC) of South African companies.

***Diversity Management Competency (DMC):*** the extent to which a company effectively manages the opportunities and challenges that a diverse workforce presents.

## Larger research results

The larger aim of this research study was to determine how diversity management relates to favourable firm-level outcomes. The results of this study revealed that diversity management competency (DMC) has a significant positive correlation with an inclusive climate, perceived advancement opportunities, perceived power distribution and firm performance, as indicated in Table 1.

**Table 1. Intercorrelations**

	Diversity Management Competency
<b>Inclusive Climate</b>	<b>.714<sup>***</sup></b>
<b>Perceived Advancement Opportunities</b>	<b>.310<sup>*</sup></b>
<b>Perceived Power Distribution</b>	<b>.538<sup>**</sup></b>
<b>Firm Performance</b>	<b>.600<sup>***</sup></b>

\* Correlation is significant at the 0.05 level (1-tailed).

\*\* Correlation is significant at the 0.01 level (1-tailed).

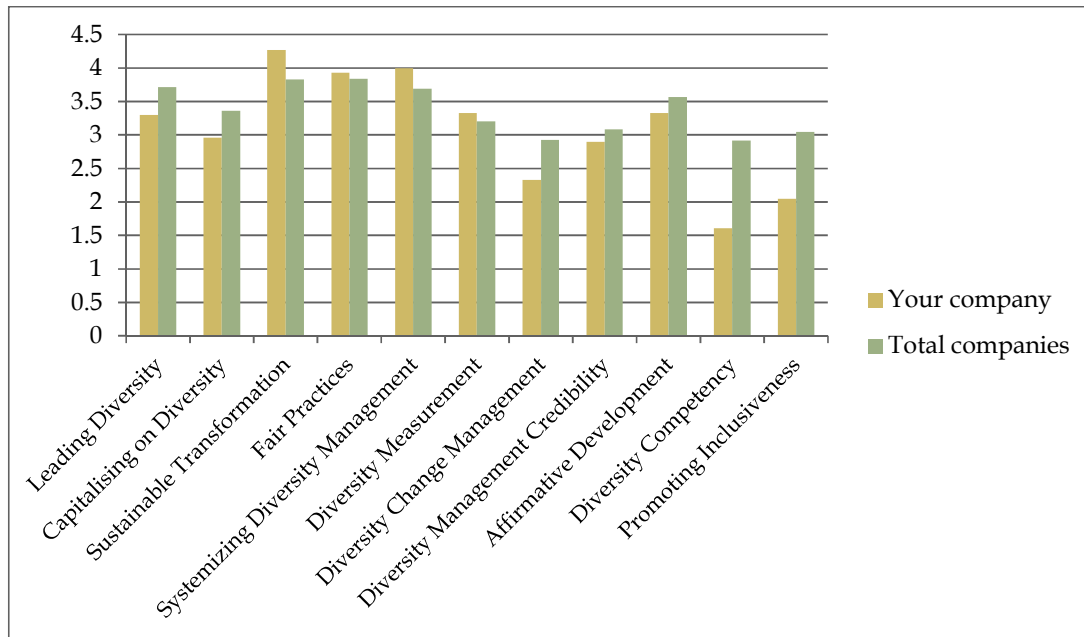
\*\*\* Correlation is significant at the 0.001 level (1-tailed).

Additionally, the questionnaire that was used to measure these four different variables revealed to have a very high reliability. It should however be noted that these results were based on a sample of 33 companies.

The more specific results of your company are presented below.

## DMCQ Results for your company

DMC consists of 11 dimensions on which each company was evaluated. The summary of your company's standing on DMC is as follows:



\*Small differences should not be interpreted as meaningful.

## Definitions of dimensions:

### 1. Leading Diversity

Showing diversity leadership in the market and society by promoting support for diversity to the public and investing in and supporting initiatives that establish greater equal opportunity and redress societal inequality.

### 2. Capitalising on diversity

Uses diversity by capitalising on the diversity of knowledge, skills, abilities and perspectives of employees to create competitive advantage.

### 3. Sustainable Transformation

Balances a transformation agenda with business sense to ensure sustainable workforce transformation as well as a sustainable business.

### 4. Fair Practices

Promotes fair employment practices to enhance employment equity, equal opportunities and fair treatment. The firm identifies and removes barriers to fair employment practices and implements best practice guidelines for enhancing equal opportunities and preventing unfair discrimination.

### 5. Systemising diversity management

Plans and organises how diversity management can be integrated into the organisational system by transforming HR function, establishing additional policies, and implementing systems and procedures to make diversity management part of the formal functioning of the organisation.

### 6. Diversity Measurement

Measures, evaluates and monitors diversity management progress and performance through metrics and other measuring or monitoring instruments to ensure continuous progress regarding diversity management goals.

### 7. Diversity Change Management

Manages diversity through the change management process and OD interventions which include constant communication and feedback regarding the importance and progress of diversity management, and driving the process through champions for change, to ensure the effective and sustainable implementation of diversity management.

### 8. Diversity Management Credibility

Shows authenticity and transparency in managing diversity through congruent actions so that trust is built amongst stakeholders.

### 9. Affirmative development

Supports aggressive accelerated functional skills development of designated groups (as defined by EEA) by proactively identifying, recruiting, nurturing and developing promising individuals of designated groups in order to unleash inert potential and redress past imbalances.

### 10. Diversity competence

Empowers employees to be competent in DM knowledge, skills, abilities and other characteristics (KSAOs) through education, training and development so that the employees display the necessary and appropriate interpersonal behaviour in a diverse workforce.

#### 11. Promoting inclusiveness

The firm actively promotes awareness, respect and valuing of differences within the organisation, irrespective of the nature of these differences, through symbolic actions that reveal that diversity is celebrated.

### Discussion of results

The results for your company reveal that your competence on the various areas of DMC are relatively similar to the average levels of the sampled companies, except for the areas of *diversity competency* and *promoting inclusiveness*, in which your company is less competent. Your company is most competent in the areas of *sustainable transformation* and *systemising diversity management*, however.

### Suggested Practices

Companies that typically perform well on the dimensions of *diversity competency* and *promoting inclusiveness* exhibit the following practices:

- Highlight effective communication practices for diverse employees and customers.
- Organise break-away sessions for relationship building between diverse employees.
- Educate employees regarding cultural customs.
- Establish workplace forums where diversity challenges and opportunities are discussed.
- Hold diversity days to celebrate diversity.
- Formally acknowledge public and religious holidays.

It is therefore suggested that you consider implementing these or similar practices to improve the diversity management effectiveness of your company.

Thank you again for participating in this study. We trust that these results will be meaningful to your company. If you have any questions or concerns about the research, please feel free to contact Jenni Carstens ([jennifergytha@gmail.com](mailto:jennifergytha@gmail.com) / 076 480 9763) or Mr F.S. De Kock ([fsdk@sun.ac.za](mailto:fsdk@sun.ac.za) / 021-808 3016 / 081 534 5754).

## **APPENDIX G: SUGGESTED PRACTICES TO IMPROVE DIVERSITY MANAGEMENT COMPETENCY**

Improving the competency of Leading Diversity:

- Speak out in society against diversity injustices.
- Conduct open-days for learners from schools in previously disadvantaged areas.
- Organise awareness days to raise awareness about community needs.
- Sponsor events that encourage social equality.

Improving the competency of Capitalising on Diversity:

- Encourage innovation and creativity.
- Establish a system to generate suggestions, ideas and innovations, such as a suggestion box, a database for ideas, or discussion forums.
- Encourage constructive inter-group conflict and exploration of diverse ideas.

Improving the competency of Sustainable Transformation:

- Comply with laws that regulate employment equity in the country.
- Make sure that affirmative action works by investing enough energy.
- Set realistic transformation targets.

Improving the competency of Fair Practices:

- Overcome language barriers in the organization.
- Make accommodation for physical and developmental abilities.
- Inspect employment practices for possible direct and indirect discrimination.
- Consult an EE/AA expert to develop or modify employment practices.

Improving the competency of Systemising Diversity Management:

- Include diversity training in induction programme.
- Include diversity management goals achievement in performance appraisal of managers.
- Appoint a full-time corporate officer for diversity management.

- Consider employment equity concerns in hiring decisions.

#### Improving the competency of Diversity Measurement:

- Monitor trends in recruitment, promotion and retention of diversity groups.
- Use diversity key performance indicators (KPI).
- Use metrics, surveys, focus groups, customer surveys, management and employee evaluations, or training and education evaluations to measure diversity management progress.

#### Improving the competency of Diversity Change Management:

- Inform employees about how they individually will be affected by diversity management.
- Celebrate diversity management successes through formal announcements.
- Gather on-going feedback about diversity concerns in the business.

#### Improving the competency of Diversity Management Credibility:

- Conduct selection, recruitment, placement and promotion in a transparent manner.
- Align unspoken organisational norms, rules and values with stated Diversity Management goals and objectives.
- Respond quickly to diversity-related issues.

#### Improving the competency of Affirmative Development:

- Provide internship programmes for designated groups.
- Provide management development programmes for designated groups.
- Formulate individual development plans for designated groups.

#### Improving the competency of Diversity Competency:

- Highlight effective communication practices for diverse employees and customers.
- Organise break-away sessions for relationship building between diverse employees.
- Educate employees on cultural customs.

Improving the competency of Promoting Inclusiveness:

- Establish workplace forums where diversity challenges and opportunities are discussed.
- Hold diversity days to celebrate diversity.
- Formally acknowledge public and religious holidays.

**APPENDIX H: DEPARTMENTAL ETHICS SCREENING COMMITTEE  
CHECKLIST**

**Addendum 2**

**DEPARTMENTAL ETHICS SCREENING  
COMMITTEE  
(DESC)**

**CHECKLIST**

**Implementation date: 1 January 2012**

## Preamble to the Checklist

Researchers, supervisors and departmental chairs have the primary responsibility to ensure that research conducted in their respective disciplines is characterised by methodological rigour and complies with the guidelines of relevant professional bodies and scientific organisations, as well as relevant legislation, institutional, national and international ethics guidelines.

All research in which humans, institutions, organisations or communities/groups are involved must be screened by Departments. The departmental processes for the ethics screening of research proposals should be integrated with the process of approving research proposals in terms of their scientific integrity and rigour. This means that the Departmental Ethics Checklist for the ethics screening of a research project should be considered in the same process as the approval of the research proposal.

The checklist serves as a heuristic (i.e. a guideline) to assist the researcher in evaluating the potential ethical risks associated with the research. The emphasis should be primarily on an honest and critical reflection on, and deliberation about the risk of unjustifiably impacting negatively on the research participants and other stakeholders involved in the research, and not on the completion of the checklist as a mere bureaucratic necessity.

To record that all research proposals in which humans, institutions, organizations or communities/groups are involved have been screened in ethical terms, the Departmental Ethics Checklist must be completed in a manner that attests to the fact that the researcher (and, if applicable, the Departmental Ethics Screening Committee (DESC)) has diligently reflected on the matter.

Process notes:

- All submissions to the Research Ethics Committee must be accompanied by a fully completed Departmental Ethics Checklist. The departmental screening process is where the ethics review process starts.
- When medium or high ethical risk research is referred to the Research Ethics Committee for review, it is important to share the DESC's assessment, experience and wisdom about avoiding or mitigating ethical risks with the Research Ethics Committee. Please record which ethical risks are related to the medium or high ethical risk research, and what should be done to avoid or mitigate these ethical risks on the last page of the Departmental Ethics Checklist, or on a separate page, and indicate in a note to the Research Ethics Committee exactly for what ethics clearance is requested.
- Departments should have a short turn-around time in the processing of Departmental Ethics Checklists, following a time schedule that is well-coordinated with the submission of applications to the Research Ethics Committee.
- Departments are encouraged to involve researchers, supervisors and promotor in the deliberations and/or feedback of the DESC with a view to promote awareness, insight, and opportunities for the discussion of ethical issues related to research.



<b>DEPARTMENTAL ETHICS SCREENING COMMITTEE (DESC) CHECKLIST (DATA COLLECTION)</b>				
To be prepared by the researcher (student researcher in consultation with supervisor/promotor) and attached to the actual research proposal, and submitted to your Departmental Chair				
<b>Name of researcher: Prof/Dr/Mr/Ms/Other</b> Miss Jennifer Gytha Carstens				
<b>Department of Researcher:</b> Industrial Psychology				
<b>Title of research project:</b> The influence of diversity management competency on diversity related outcomes and firm performance [Phase 2: Quantitative data capturing]				
<b>If a registered SU student, degree programme:</b> MComm Industrial Psychology				
<b>SU staff or student number:</b> 15521559				
<b>Supervisor/promotor (if applicable): Prof/Dr/Mr/Ms</b> Mr Francois De Kock				
<b>ETHICAL CONSIDERATIONS</b>	<b>Yes</b>	<b>NS*</b>	<b>No</b>	<b>ACTION REQUIRED</b>
<b>1. Familiarity with ethical codes of conduct</b>				
As researcher I have familiarised myself with the professional code(s) of ethics and guidelines for ethically responsible research relevant to my field of study as specified in the list herewith attached, AND the 'Framework policy for the assurance and promotion of ethically accountable research at Stellenbosch University'	X			If YES: Continue with the checklist.  If NS/NO: Researcher must do so before proceeding.
<b>2. The proposed research: (Go through the whole of Section 2)</b>				
a) Involves gathering information directly from human subjects (individuals or groups) (e.g., by means of questionnaires, interviews, observation of subjects or working with personal data)	Yes X	NS	No**	If YES: Continue with the checklist.  If NO: This checklist process does not apply to the proposed research, except if 2 (b) applies.
b) Involves gathering information directly from companies, corporations, organisations, NGOs, government departments etc. that <u>is not</u> available in the public domain	X			If YES: Continue with the checklist. If NO: This checklist process does not apply to the proposed research.
c) Is linked to or part of a bio-medical research project			X	If YES/NS: REC clearance may be required. DESC needs to decide.
d) Involves gathering of information without consent/assent, i.e. will be conducted without the knowledge of the subjects of/participants in the research			X	If YES/NS: REC clearance may be required. DESC needs to decide.
e) Involves collection of identifiable information about people from available records/archival material to be collected on individuals/groups/lists with personal information			X	If YES/NS: REC clearance may be required. DESC needs to decide.

\* NS = Not sure/Don't know

\*\* Please note: If the "No" option is selected it does not nullify the responsibility that rests on the researcher to ensure that ethical research practices are followed throughout the research process. The onus rests on the researcher to ensure that, should any ethical issues arise throughout the research process, the necessary steps are taken to minimise and report these risks to the supervisor/promotor of the study (where relevant), the Departmental Chair, and the REC. Furthermore: If the "No" option is chosen it does not absolve the researcher to seriously consider the possible risk that the research can in some way wrongfully disadvantage research participants and/or stakeholders or deny them fundamental rights.

<b>3. The proposed research involves the gathering of information from people in the following categories:</b>				
a) Minors (persons under 18 years of age)	Yes	NS	No X	If YES/NS for any of these categories (a-f): REC clearance may be required. The DESC must screen the proposal/project and must refer it to the REC if the ethical risk is assessed as medium or high. Then continue with the checklist.  If NO for all of these categories: Continue with the checklist.
b) People with disabilities			X	
c) People living with/affected by HIV/AIDS			X	
d) Prisoners			X	
e) Other category deemed vulnerable; SPECIFY here:  [See Glossary of SOP for definitions.]			X	
f) Stellenbosch University staff, students or alumni	Yes	NS	No X	If YES/NS: REC clearance must be obtained. Complete Checklist and submit to DESC. If NO: Continue with the checklist.
<b>4. Assessment of risk of potential harm as result of research (tick ONE appropriate YES or NS box)</b>				
a) <b>Minimal risk</b> (for a classification of risk types, and definition, see Glossary and Addendum 3 in REC SOP)	Yes X	NS	No	If YES: Established ethical standards apply. Proceed to 5, 6 and 7 and completion of checklist.  If NO/NS: Proceed to 4b).
b) <b>Low risk</b> (for a classification of risk types, and definition, see Glossary and Addendum 3 in REC SOP)	Yes	NS	No	If YES/NS: Established ethical standards apply; researcher/supervisor/promotor must refer the project to the DESC for further guidance. Proceed to 5, 6 and 7 and completion of checklist. If NO: Continue with the checklist.
c) <b>Medium risk</b> (for a classification of risk types, and definition, see Glossary and Addendum 3 in REC SOP)	Yes	NS	No	If YES/NS: REC clearance must be obtained; the research project must be referred to the REC. Proceed to 5, 6 and 7 and completion of checklist.  If NO: continue with the checklist.
d) <b>High risk</b> (for a classification of risk types, and definition, see Glossary and Addendum 3 in REC SOP)	Yes	NS	No	If YES/NS: REC clearance must be obtained; the research project must be referred to the REC. Proceed to 5, 6 and 7 and completion of checklist.  If NO: Continue with the checklist.
<b>5. The proposed research involves processes regarding the selection of participants in the following categories:</b>				
a) Participants that are subordinate to the person doing the recruitment for the study	Yes	NS	No X	If YES: REC clearance may be required. The DESC must assess and advise.  If NO: Continue with the checklist.
b) Third parties are indirectly involved because of the person being studied (e.g., family members of HIV patients, parents or guardians of minors, friends)	Yes	NS	No X	If YES: REC clearance may be required. The DESC must assess and advise.

				If NO: Continue with the checklist.
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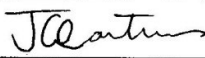
6. Steps to ensure established ethical standards are applied ( regardless of risk assessment)				
a) <b>Informed consent:</b> Appropriate provision has been/will be made for this (either written or oral)	Yes X	NS	No	If YES: Develop & apply protocols and clear with DESC. Continue with checklist.  If NS/NO: Attach justification & refer proposal to DESC for further assessment and advice.
b) <b>Voluntary participation:</b> Respondents/informants will be informed, inter alia, they have the right to refuse to answer questions and to withdraw from participation at any time	X			
c) <b>Privacy:</b> Steps will be taken to ensure personal data of informants will be secured from improper access	X			
d) <b>Confidentiality and anonymity:</b> Confidentiality of information and anonymity of respondents/informants will be maintained unless explicitly waived by respondent.	X			
e) <b>Training:</b> research assistants/ fieldworkers will be used to collect data, and ethics awareness will be included in their training			X	
f) <b>Mitigation of potential risk:</b> Likelihood that mitigation of risk of harm to participants is required is medium/high, and appropriate steps have been/will be taken (e.g., referral for counselling)	Yes	NS	No  X	If YES/NS: Develop protocols for submission to DESC. Continue with checklist.  If NO: Proceed with checklist.
g) <b>Access:</b> Institutional permission is required to gain access to participants and has been/will be secured. Specify here from whom: Sampled medium to large South African companies.  [If the permission letter required is available, submit it to the DESC. If it is not available, apply for it immediately and indicate to the DESC when it will be expected.]	Yes  X	NS	No	If YES: Develop application for authorisation, clear with DESC & apply. Continue with checklist.  If NS: Refer proposal to DESC for assessment and advice. Continue to 6 (h).  If NO: Proceed to 6 (h).
h) <b>Accountability research*:</b> Institutional permission to gain access to participants poses an obstacle to conduct the research.	Yes	NS	No  X	If YES/NS: Refer proposal to DESC for assessment and advice. Continue with checklist.  If NO: continue with checklist.
i) <b>Public availability of instruments to gather data:</b> [When applicable] Are the instruments that will be used to gather data available in the public domain?	Yes  N/A	NS	No	If YES or not applicable: proceed with checklist.  If NS/NO: Obtain permission to use the instrument(s) and submit letters of permission with the proposal to DESC for assessment and advice Continue with checklist..
j) <b>Use of psychological tests:</b> [When applicable] Are the instruments that will be used to gather data classified by law as psychological tests?	Yes	NS	No  X	If YES/NS: Indicate who will administer these tests, and whether they are appropriately registered and adequately trained to do so. Provide registration number and professional body. Continue with checklist.  If NO or not applicable: Proceed with checklist.
k) <b>Protecting data from unauthorised access:</b> Are appropriate measures in place to protect data from unauthorized access? If yes, specify what the measures are:  All information that is obtained through this study and that can be identified with the participants will remain	Yes  X	NS	No	If YES: Specify and proceed with checklist.  If NO/NS: Develop and put in place appropriate measures. Continue with checklist.

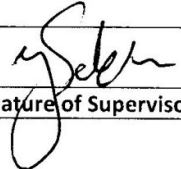
confidential and will be disclosed only with the participants' permission or as required by law. Confidentiality will be maintained by means of coding procedures. The participants are not required to write their names or particulars on the questionnaires. The questionnaires will be issued to the participants by the researcher. On completion of the questionnaire, the participants will send the completed questionnaires directly to the researcher. Collected data will be captured into the computer and password protected electronic datasheet to which only the researcher and her supervisor will have access (SPSS). The completed questionnaires will be handed in to the industrial psychology department of Stellenbosch University for storage purposes and will be locked away in a safe place.				
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l) <b>Unexpected information:</b> If unexpected, unsolicited data is revealed during the process of research, data will be kept confidential and will only be revealed if required by law.	Yes <b>X</b>	NS	No	If YES: Proceed with checklist.  If NO/NS: Consult on this matter with DESC. Continue with checklist.
m) <b>Emergency situations:</b> If an unexpected emergency situation is revealed during the research, whether it is caused by my research or not, it will immediately be reported to my supervisor/promotor and Departmental Chair for further advice.	Yes <b>X</b>	NS	No	If YES: Proceed with checklist.  If NO/NS: Consult on this matter with DESC. Continue with checklist.
n) <b>Permission to use archival data:</b> [When applicable] Is permission granted from the custodian of the archive to use it.	Yes <b>N/A</b>	NS	No	If YES: Proceed with checklist.  If NO/NS: Consult on this matter with DESC. Continue with checklist.
o) <b>The archive itself does not pose problems:</b> [When applicable] The initial conditions under which the archive originated allow you as a third party researcher to use the material in the archive.	Yes <b>X</b>	NS	No	If YES, proceed with checklist.  If NO/NS: Consult on this matter with DESC. Continue with checklist.
<b>7. Conflict of interest</b>				
Is the researcher aware of any actual or potential conflict of interest in his/her proceeding with this research?	Yes	NS	No <b>X</b>	If YES/NS: Identify concerns, attach details of steps to manage them, and refer to DESC for assessment and advice.  If NO: No further action required, except signing the declaration and the checklist, and submitting it to the DESC with supporting documentation.

**DECLARATION BY RESEARCHER:**

I hereby declare that I will conduct my research in compliance with the professional code(s) of ethics and guidelines for ethically responsible research relevant to my field of study as specified in the list herewith attached, AND the 'Framework policy for the assurance and promotion of ethically accountable research at Stellenbosch University', even if my research poses minimal or low ethical risk.

JENNIFER GYTHA CARSTENS	
Print name of Researcher	Signature of Researcher
Date 19/06/2012	

FRANCOIS DE KOCK	
Print name of Supervisor	Signature of Supervisor
Date 19/06/2012	